TELEPHONE REPORT

TO THE

REGULATORY FLEXIBILITY COMMITTEE

OF THE

INDIANA GENERAL ASSEMBLY

BY THE
INDIANA UTILITY REGULATORY COMMISSION

OCTOBER 2002

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Submitted by the Indiana Utility Regulatory Commission

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1.0 Executive Summary/Highlights

"To promote competition and reduce regulation in order to secure lower prices and higher quality services for American telecommunications consumers and encourage the rapid deployment of new telecommunications technologies."
Telecommunications Act of 1996

The Indiana Utility Regulatory Commission ("IURC" or "Commission") continues to fulfill its legislative mandate to prepare and report to the Regulatory Flexibility Committee of the Indiana General Assembly on the status and impact of competition on universal service and on pricing of all telephone services under the jurisdiction of the Commission.

In this report, the IURC presents summary results from the Telecommunications Division's Annual Local Competition Survey showing changes in the share of the voice services market statewide in 2001. The IURC only surveys carriers yearly due to limited resources. Charts and maps in Section 2.0 give a quick summary of these changes. The report examines how competitive local exchange carriers ("CLECs") deliver services. Using data gathered in the IURC and Federal Communication ("FCC") surveys, we report in Section 5.0 the number of high-speed broadband Internet access lines provided by incumbent local exchange carriers ("ILECs") and competitive local exchange carriers CLECs. Using this report we offer our assessment of the evolving competitive telecommunications scene that has been driven by the landmark Federal Telecommunications Act of 1996 ("TA-96").

In the year 2001, voice service line ("wireline") growth has been minimal. A few carriers made changes to their data reported in last year's survey and those changes are reflected on the "Highlights" page. Overall, CLECs serve 6% of the total voice local exchange service in Indiana, up from 5.2% by the end of the year 2000.[1] CLECs provided 1.9% of the lines serving consumers and 13.2% of voice lines for businesses. Total line growth, combining data from ILECs and CLECs, was 113,134 lines, an increase of 2.9% over year-end 2000. The number of CLECs responding to the survey and doing business in Indiana decreased to 40 from 46, reflecting bankruptcies, and revised business plans. (A few late filings by very small CLECs were received in September due to a compliance audit and were not included.) Competition is developing in specific pockets in Indiana such as the business markets in urban areas of the largest ILECs. However, this development may be slowed by recent high profile telecommunications company bankruptcies. Newer services using a variety of technologies are supplementing, and in some cases, beginning to displace traditional "wired telephone" lines. Wireless services, telephony over cable systems, access charge reform, and regulatory actions to further examine "unbundling" will contribute to greater competitive choice in 2002 and beyond. Section 2.0 reviews the data on competition and technology alternatives to traditional local exchange carriers.

Overall, 47% of the counties show few, if any, customers served by CLECs, in large part due to the sparse population and other high cost characteristics. In contrast to rural areas, rate centers showing the greatest competitive penetration include Evansville, Fort Wayne, Indianapolis, Greenwood, South Bend, Elkhart, Gary, Bloomington, and Newburgh. By line count and percentage penetration, Evansville is the most competitive rate center in the state.

In the six years since passage and initial implementation of the TA-96, the IURC has had many proceedings to develop effective carrier-to-carrier relationships (usually CLEC and ILEC). These include

[1] In the IURC's *Telephone Report to the Regulatory Flexibility Committee of the Indiana General Assembly* dated August 2001, an 8% overall competitive share was reported. Several carriers restated data in 2000 and a few submitted after the report was published.

approving interconnection agreements, resolving arbitrations, resolving complaint cases, setting rates for ILEC services to CLECs and reviewing Ameritech's application for approval to provide long-distance services. A *quid pro quo* element of Section 271 of TA-96 for the nation's Regional Bell Operating Companies ("RBOCs") such as SBC-Ameritech Indiana is the promise of entry into the regional long distance (or interLATA) markets in return for opening local markets to competition. SBC-Ameritech Indiana will enter that new market once it receives authority from the FCC. First, SBC-Ameritech Indiana must meet a 14-point checklist and apply to the FCC. The FCC will consult with the IURC to verify compliance with Section 271 of the TA-96. More on setting market requirements under TA-96 are reviewed in Section 3.0 with specific policy positions on page 22.

Issues surrounding rural ILECs are complex, particularly given the importance of universal service goals of the Telecommunications Act of 1996. Congress, the FCC and the State of Indiana have recognized that rural companies are quite different than non-rural companies in terms of the territories that they serve, their customer base and the costs associated with providing telecommunications and information services. This report delves into many of the factors introducing change for rural carriers including ensuring comparable and affordable rates and adequate service quality. The Commission continues to monitor competition in the rural areas and will assess the impact of new universal service support mechanisms, including a state universal service fund, if it is developed. More on rural company issues are reviewed in Section 4.0 with specific policy positions on page 26.

Broadband access is an important policy concern in Indiana. The IURC remains vigilant to ensure Indiana has the latest telecommunications infrastructure capable of supporting advanced services, and to have and exercise choice of carriers and services. Results from the data show Indiana experienced significant growth in the availability of high-speed Internet access via digital subscriber lines ("DSL") as the number of telephone wire centers (some CLECs reported "wire centers" which may actually be "collocation arrangements") supporting DSL increased to 362 from 25, and the total number of LECs offering high-speed Internet access increased to 42 from 20 for 2000. The number of DSL users, as reported by the local exchange carriers to the IURC, was 76,631 at the end of 2001. The FCC reported 123,704 high-speed connections, defined as over 200 kilobits per second ("Kpbs").[2] Section 5.0 reviews broadband issues with specific policy positions on page 31.

Even with the growth of competition, the IURC will continue to have direct oversight of important public interest issues such as the status of area codes and telephone number resource management (Section 6.0 with specific policy positions on page 33), service quality issues (Section 7.0 with specific policy positions on page 35), and jurisdiction and authority over specific transactions (Section 8.0 with specific policy positions on page 37). Section 9.0 provides an outlook for telecommunications regulation including the impact of competition, state and federal legislation, technology, and bankruptcies.

TA-96 set out to bring the benefits of a competitive telecommunications industry to residential and business customers. The Commission has implemented many policies in support of TA-96. While progress has been noted in some areas, the data indicate that competition has been slow to arrive in Indiana. The Commission has streamlined regulation and important processes, approved alternate regulation plans, and acted on service quality concerns. To remain vigilant, the IURC continues to need increased authority to act in the interest of the public; specifically, the authority to levy monetary penalties and the authority over mergers and acquisitions between holding companies.

[2] The Federal Communications Commission report *High-Speed Services for Internet Access: Status as of December 31, 2001* surveys cable systems and other providers, not just local exchange telephone companies.

Highlights

Summary Data	Year-End 2001	Year-End 2000 *
Incumbent (ILEC) Share of Voice Wireline Services - Statewide	94.0 %	94.8%
Competitive (CLEC) Share of Voice Wireline Services – Statewide	6 .0 %	5.2 %
ILEC Voice Wirelines in Service	3,766,002	3,691,116
CLEC Voice Wirelines in Service	241,047	202,799
TOTAL	4,007,049	3,893,915
Ameritech's Residential / Business % Share of Lines – In-Territory	97.2 % Res. 87.0 % Bus.	
Verizon's Residential / Business % Share of Lines – In Territory	99.0 % Res. 83.8 % Bus.	
United –Sprint's Res. / Business % Share of Lines – In Territory	99.4 % Res. 94.2 % Bus.	
Statewide ILEC Residential Lines / % Share	2,509,733 98.1 %	2,505,498 97.8 %
Statewide CLEC Residential Lines / % Share	49,661 1.9 %	56,083 2.2 %
Statewide ILEC Business Lines / % Share	1,256,269 86.8 %	1,185,618 89.0 %
Statewide CLEC Business Lines / % Share	191,386 13.2 %	146,716 11.0 %
Voice Wireline Growth Rate (Year / Prior Year)	2.9 %	7.9 %
ILEC Wireline Growth Rate	2.0 %	3.7 %
CLEC Wireline Growth Rate	18.9 %	405.4 %
ILECs Doing Business in Indiana	41	41
CLECs Doing Business in Indiana	40	46
Number of CLECs and ILECs Offering DSL	42	20
ILEC Wire Centers Supporting DSL	138	25
Number of Broadband Access Lines Reported to the IURC by All Respondents	76,631	

***** Adjusted based on revised data provided by several carriers for year end 12/31/00.

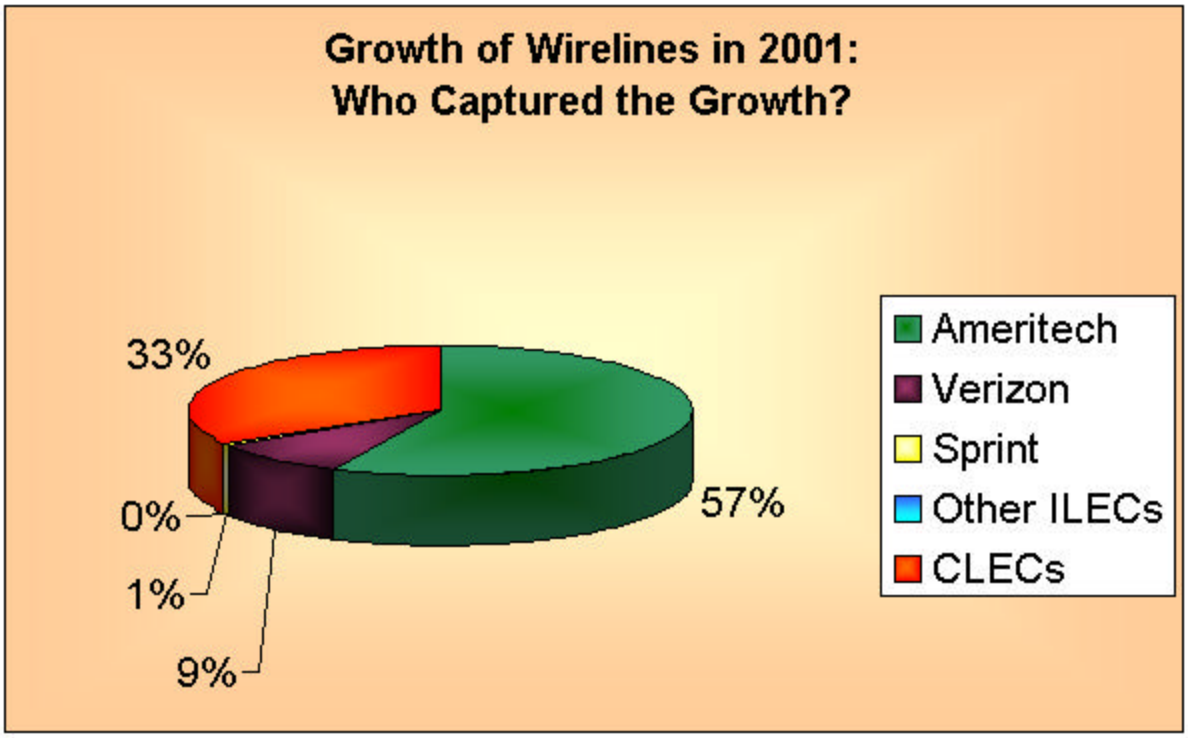
2.0 Market Performance Data and Analysis

The IURC technical staff conducts the "Annual Local Competition Survey" or "Survey" yearly gathering data from January through December. Limited Commission resources prevent the IURC staff from gathering data more frequently (e.g., the FCC gathers data every six months). The survey requests data on the number and type of incumbent local exchange carrier ("ILEC") and competitive local exchange carrier ("CLEC") lines and seeks information on broadband services. Results from the survey regarding broadband services are found in Section 5.0. Alternatives to traditional wireline telephony are discussed at the end of this section.

Survey Summary of Traditional Wireline Competition

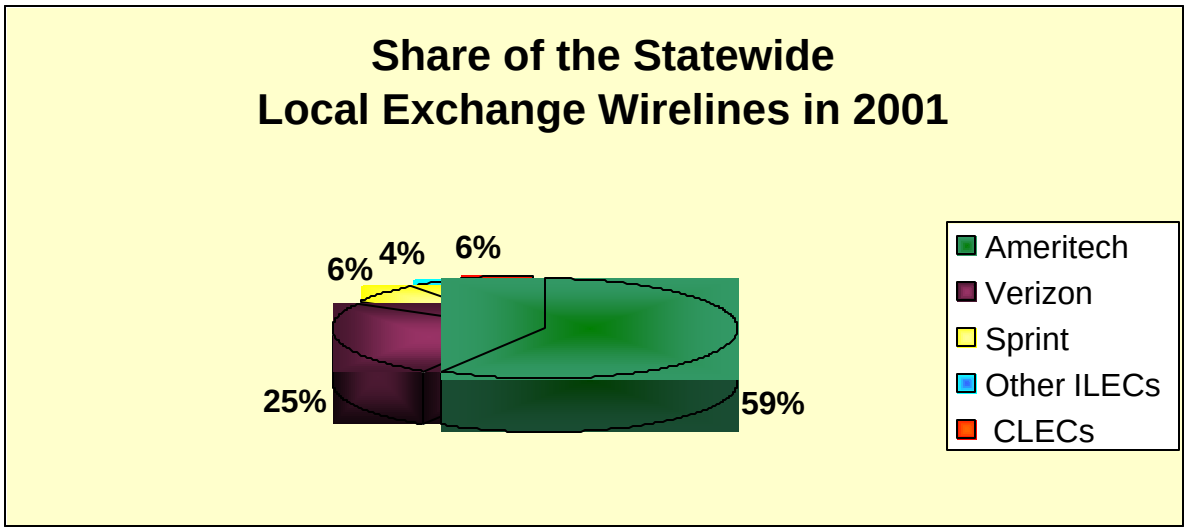
Total Line Growth: The Annual Local Competition Survey summary data are compiled from the replies of all Local Exchange Carriers operating in Indiana in 2001. Last year lines increased by 113,134 voice wirelines, an annual growth rate of 2.9%, the lowest percentage increase in 10 years. Incumbent carriers accounted for 66.2% of the lines added while CLECs added much of the balance. (See Chart 1) SBC-Ameritech Indiana[3] garnered 57.7% of the total line growth. The small rate of growth may reflect the state of the economy, wireless mobility options, lessened demand for fax and dial-up lines, and the emergence of broadband alternatives for Internet access.

Chart 1



[3] Throughout this report SBC-Ameritech Indiana is also referred to as Ameritech Indiana or Ameritech.

Chart 2



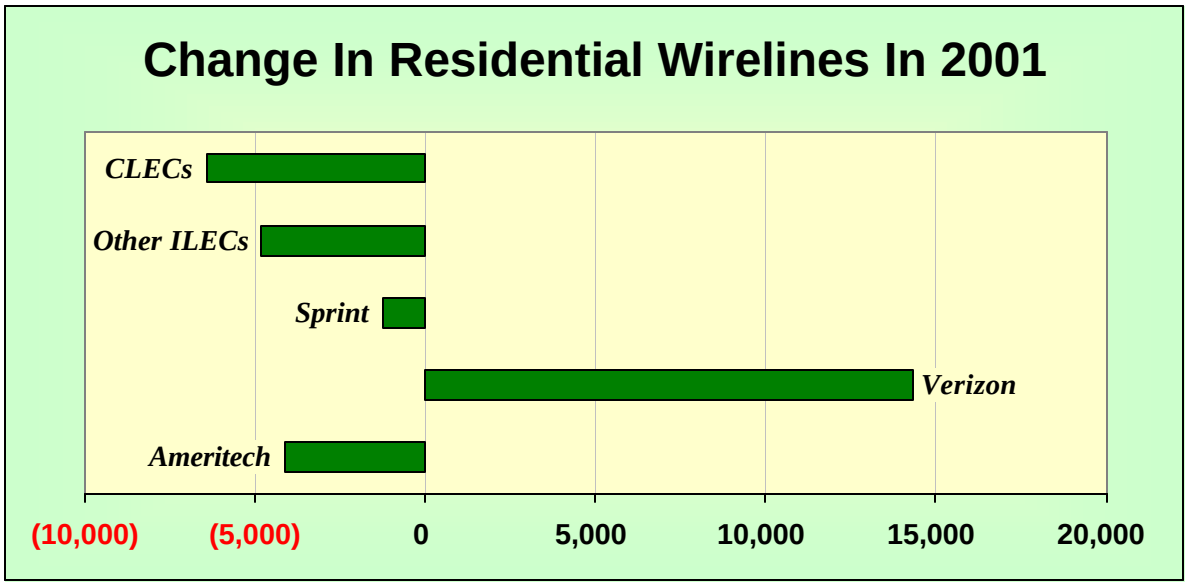
Share of the Local Exchange Service Voice Wireline Market: Chart 2 shows that SBC-Ameritech Indiana is the state's largest local exchange carrier, maintaining nearly 59% of voice wirelines statewide, followed by Verizon at 25% and Sprint at 6%. Competitors, the CLECs, have just a 6.0% market-share. A further breakout of lines and share of the residential and non-residential lines is shown by the table in Chart 3 below.

Chart 3
Data Summary: Wirelines In Large ILEC Territories in 2001

	Res. Lines	*%Res. Lines*	Non-Res. Lines	*%Non-Res Lines*	Total Lines	*%Total Lines*
Ameritech's Territory						
Ameritech	1,472,130	*97.24%*	888,014	*86.85%*	2,360,144	*93.05%*
CLECs	41,734	*2.76%*	134,474	*13.15%*	176,208	*6.95%*
TOTAL	1,513,864	*100.00%*	1,022,488	*100.00%*	2,536,352	*100.00%*
Verizon's Territory						
Verizon	708,719	*99.05%*	275,159	*83.83%*	983,878	*94.26%*
CLECs	6,832	*0.95%*	53,083	*16.17%*	59,915	*5.74%*
TOTAL	715,551	*100.00%*	328,242	*100.00%*	1,043,793	*100.00%*
Sprint's Territory						
Sprint	192,386	*99.43%*	61,923	*94.18%*	254,309	*98.10%*
CLECs	1,095	*0.57%*	3,829	*5.82%*	4,924	*1.90%*
TOTAL	193,481	*100.00%*	65,752	*100.00%*	259,233	*100.00%*
Other ILECs Territory						
Other ILECs	136,498	*100.00%*	31,173	*100.00%*	167,671	*100.00%*
CLECs	0	*0.00%*	0	*0.00%*	0	*0.00%*
TOTAL	136,498	*100.00%*	31,173	*100.00%*	167,671	*100.00%*
Total CLEC	49,661	*1.94%*	191,386	*11.68%*	241,047	*6.02%*
Total ILEC	2,509,733	*98.06%*	1,447,655	*88.32%*	3,766,002	*93.98%*
Total Indiana	2,559,394	*100.00%*	1,639,041	*100.00%*	4,007,049	*100.00%*

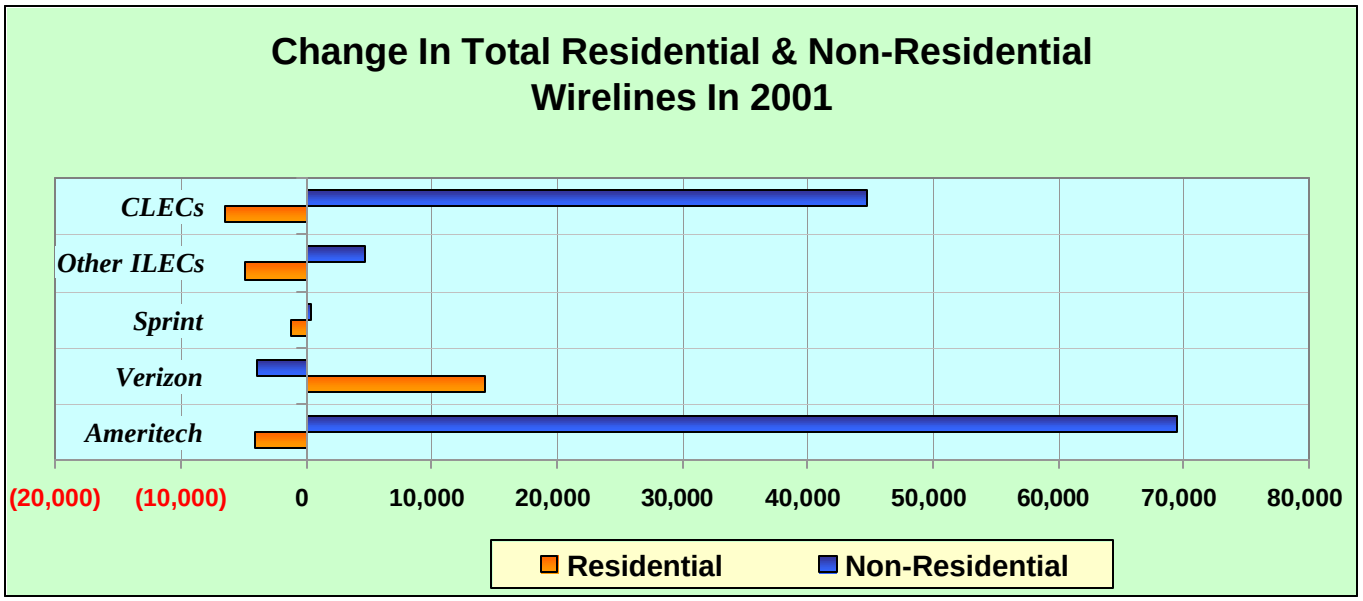
Residential Line Growth: Disaggregation of the survey results reveals that incumbent local exchange carriers (ILECs) experienced an increase of 4,235 residential lines in 2001 due almost entirely to Verizon adding more than 14,000 residential lines. (Chart 4) Most ILECs experienced negative growth while CLEC lines declined by over 6,400 residential lines when compared to the prior year's results. ILEC's share of the statewide residential segment increased slightly to 98% of residential services. As discussed elsewhere in this report, CLEC's residential share has the potential to increase in 2002 and 2003 based on new rates established for unbundled network elements ("UNEs") and platforms ("UNE-P"). In summary, residential wireline competition at the end of 2001 was at a very low level in Indiana.

Chart 4



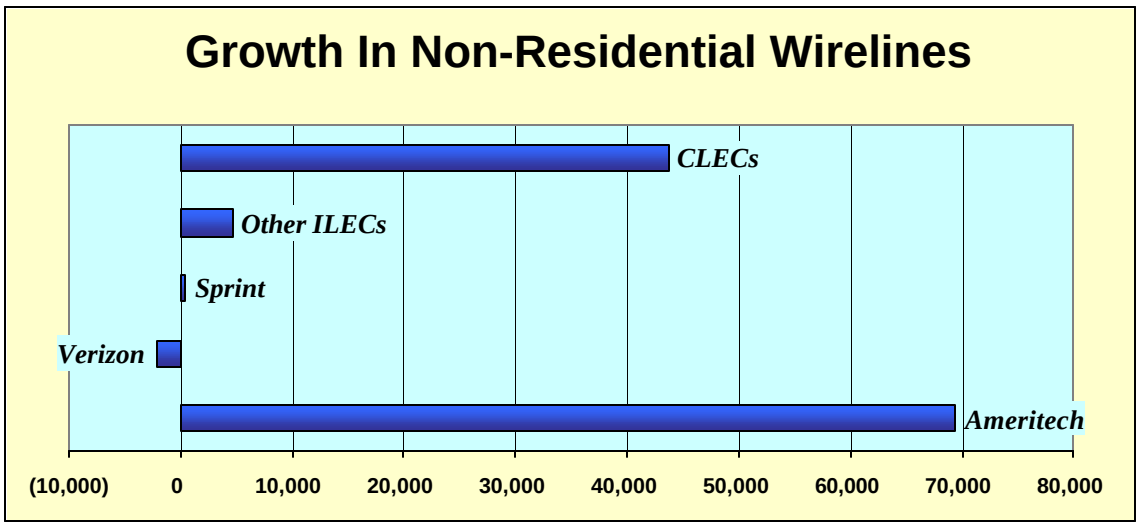
On the next page, Chart 5 provides a view of both residential and non-residential growth, showing that most local exchange carriers had a net reduction in residential service, while growing the number of non-residential or business lines. Again, Verizon seems to demonstrate a counter-trend with a decrease in non-residential and an increase in residential wirelines. Ameritech and the combined CLECs added the majority of net new non-residential wirelines in the year 2001.

Chart 5



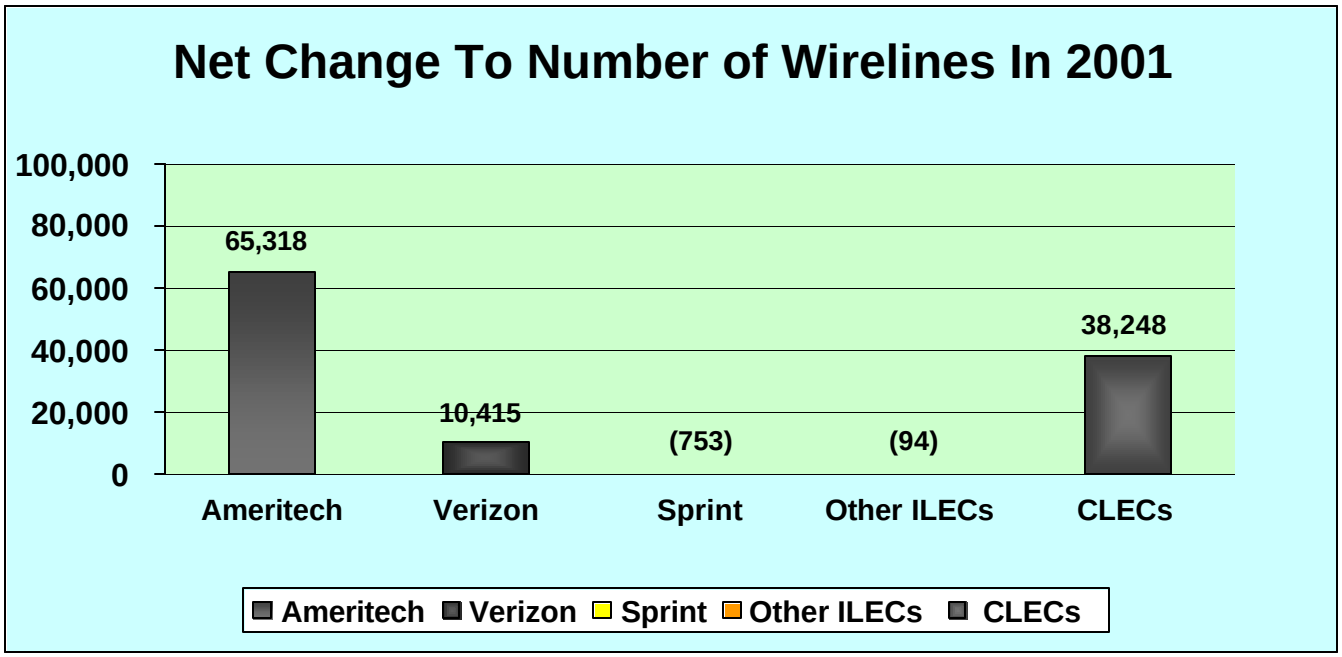
Non-Residential Line Growth: CLECs' and ILECs' net line growth totaled 115,321 lines with the ILECs still holding a commanding 88.3% of total non-residential lines. Sprint provides service to 94.2% of all business lines in its local exchange territory. Ameritech provides 87% and Verizon 83.8%, respectively, of the business lines in their own territories. Of the large ILECs, only Verizon lost wirelines in this segment. (Charts 3 & 6)

Chart 6



Net Change in Total Wirelines in 2001: The data in Chart 7 shows that the increase in total wirelines was shared between Ameritech, the CLECs, and Verizon. The CLEC's experienced an 18.8% year-over-year growth rate of combined residential and non-residential wirelines. In 2001, the ILECs combined, added just 2% growth to their total wirelines.

Chart 7

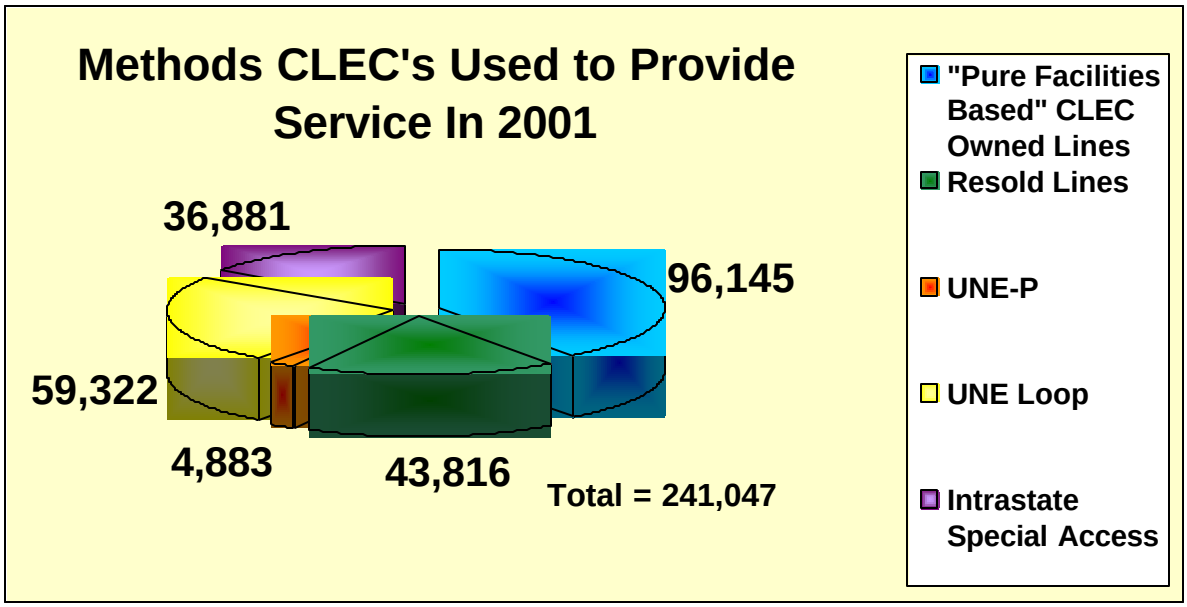


Comparison to Available FCC Data: Total CLEC voice wirelines account for 6% of the lines in Indiana, which is close to the national statistics published earlier in 2002 by the FCC. Competitive local exchange carriers reported 19.7 million, or 10.2%, of the approximately 192 million nationwide, switched access lines in service at the end of December 2001.[4] CLECs served 6.6% of the residential and small business market, compared to 5.5% for the six-month earlier period.

CLEC Line Analysis – How the Lines Are Provisioned: There are several methods by which companies compete with the incumbent carriers, as shown on Chart 8 on the next page. The Telecommunications Act of 1996, launched a new phase of local service competition by enabling interconnection of lines, resale of service, number portability, unbundling of network elements, and service parity for numerous functions.

[4] *FEDERAL COMMUNICATIONS COMMISSION RELEASES DATA ON LOCAL TELEPHONE COMPETITION,* News Release, July 23, 2002.

Chart 8



As displayed in Chart 8, the most frequently used method for competitive companies to provide local service to their customers is through the use of owned facilities ("**pure facilities-based**"). Nearly 40% of the CLEC lines are so provisioned. The second most frequently used method is to purchase "**UNE Loops**" (loops without switching), also known as unbundled local loops, for the last mile connection to customers. This method is commonly used when a customer has from 1 to 8 local lines, and it accounted for 24.6%, or over 59,000 connections. Pure or total service **resale** (18%) of the ILEC's service is the method used to connect nearly 44,000 lines. Resellers obtain service from the ILECs at a retail discount and "resell" service. "**Special Access**" circuits (15%) are used when the CLEC orders a high capacity line from the incumbent telephone company to connect the customer to the CLEC. The last method used to provide competitive alternatives to customers is through use of the unbundled network element platform ("**UNE-P**") that includes the loop, local switching, interoffice transport, tandem switching, and entrance facility. The combination of elements are obtained from the ILEC at cost-based wholesale prices, requires no CLEC owned facilities, and permits the CLEC to collect long distance access revenues and reciprocal compensation.

The FCC nationwide data provides a comparison to competitive connections in Indiana. "CLECs reported providing about 22% (a decline from 43% two years earlier) of their switched access lines by reselling the services of other carriers and about 47% (an increase from 24% two years earlier) by means of unbundled network elements (UNE) loops, including the UNE-Platform, leased from other carriers."[5] UNE-P has existed elsewhere, notably in Texas and New York, for a longer period of time with lower non-recurring costs. In Indiana, UNE-P has been the least used method to provide competitive service due to the relatively high order transaction fees. Just 2% of the all CLEC lines are provisioned through that method. A recent order in Cause No. 40611 S-1 has lowered order transaction fees. The availability and pricing of UNE-P is being debated intensively at the state and federal level.

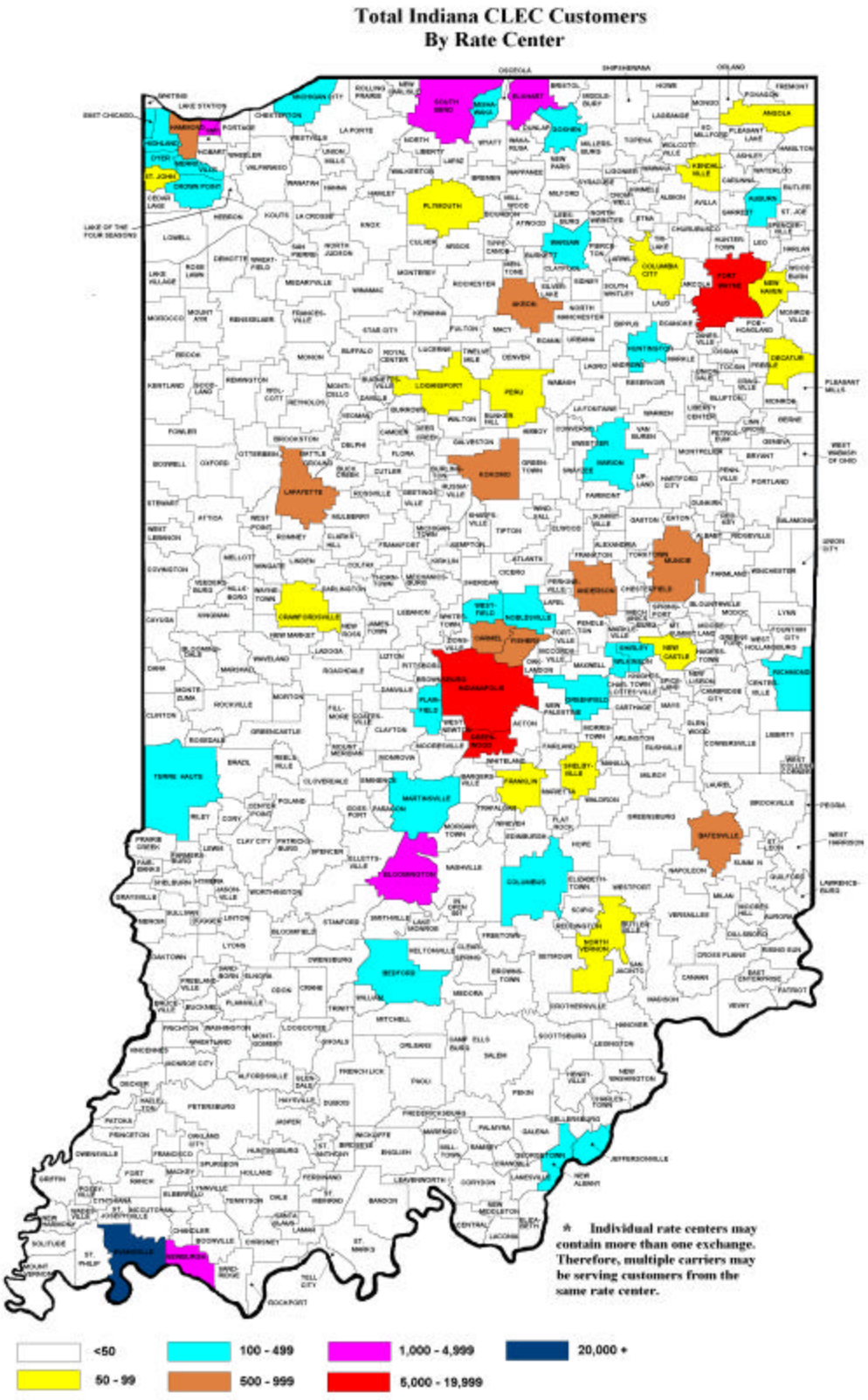
Geographic Distribution of CLEC Customers: Chart 9 is a map showing CLEC penetration at the county level. Chart 10 provides a more granular view of CLEC customers by rate center.

[5] *Id.*

Chart 9


Total Indiana CLEC Customers
By County
LAKE
PORTER
LA PORTE
ST. JOSEPH
ELKHART
LAGRANGE
STEUBEN
NOBLE
DE KALB
MARSHALL
KOSCIUSKO
STARKE
WHITLEY
ALLEN
NEWTON
JASPER
PULASKI
FULTON
WABASH
HUNTINGTON
WELLS
ADAMS
WHITE
CASS
MIAMI
BENTON
CARROLL
GRANT
BLACK FORD
JAY
WARREN
TIPPECANOE
HOWARD
CLINTON
TIPTON
MADISON
DELAWARE
RANDOLPH
FOUNTAIN
MONTGOMERY
BOONE
HAMILTON
HENRY
WAYNE
VERMILLION
PARKE
HENDRICKS
MARION
HANCOCK
RUSH
FAYETTE
UNION
PUTNAM
MORGAN
JOHNSON
SHELBY
FRANKLIN
VIGO
CLAY
OWEN
DECATUR
BARTHOL-OMEW
BROWN
MONROE
RIPLEY
DEARBORN
SULLIVAN
GREENE
JENNINGS
OHIO
JACKSON
LAWRENCE
SWITZ-LAND
JEFFERSON
KNOX
DAVIESS
MARTIN
SCOTT
ORANGE
WASHINGTON
CLARK
PIKE
DUBOIS
GIBSON
CRAWFORD
FLOYD
HARRISON
WARRICK
PERRY
POSEY
VANDER-BURGH
SPENCER
<50
50 - 99
100 - 499
500 - 999
1,000 - 4,999
5,000 - 19,999
20,000 +

Chart 10


Total Indiana CLEC Customers
By Rate Center
* Individual rate centers may contain more than one exchange. Therefore, multiple carriers may be serving customers from the same rate center.
<50
50 - 99
100 - 499
500 - 999
1,000 - 4,999
5,000 - 19,999
20,000 +

The detail in Chart 10 helps illustrate the point that basic local exchange wireline competition really exists only in the territories of the three large incumbent local exchange carriers. Several rural ILECs have formed CLEC subsidiaries to extend into adjacent territory of large ILECs (see discussion of small rural ILECs in Section 4 and the characteristics of rural carriers in the Appendix). Most rural ILECs have also diversified, offering ISP services and telephone equipment services as well as having a CLEC subsidiary. These CLEC subsidiaries use resale of the ILEC's service or use their ILEC-constructed facilities to extend to developments outside the traditional small ILEC boundaries.

The maps found in Charts 9 and 10 show the greatest number of competitive wirelines in the Evansville area, followed by a group of larger rate centers including Newburgh, Indianapolis, Greenwood, and Fort Wayne. As noted earlier, with the exception of wireless services, little to no competitive threat exists in rural ILEC exchanges.

Technology Alternatives to Traditional Local Exchange Carriers

Other Emerging Technology Alternatives: Alternatives to traditional wired telephone service such as wireless communications and cable telephony are spurring local exchange carriers to become more competitive and innovative.

Wireless Service: The IURC requires wireless services providers to obtain a Certificate of Territorial Authority for Commercial Mobile Radio Services ("CMRS"), which keeps the Commission apprised of basic provider information. The IURC does not regulate the quality of service nor their rates. FCC data provides some insight into the mobile voice and data services in Indiana.[6] FCC Chairman, Michael Powell, has called the wireless industry the "poster child" for telecommunications competition.[7] According to the latest FCC Annual CMRS Competition Report, the mobile telephony sector generated over $52.5 billion in revenues, achieved a nationwide penetration rate of 39%, and increased subscribership from 86.0 million to 109.5 million during the year 2000.[8] As of December 2001, Indiana had 1,897,049 mobile phone subscribers,[9] an increase of 11% from December 2000. The IURC did not collect data on wireless subscribership, but may likely do so for year-end 2002.

Wireless communications services are competing with local exchange carriers for new growth and as substitutes for a second line in homes and small businesses. Many wireless plans include a block-of-time calling plan that people use to carry long distance calls. Many analysts believe that when wireless prices are low enough, consumers will look to wireless communication as an all-out replacement to their traditional landline phone. "According to a survey by the Yankee Group, about 3 percent of mobile telephone subscribers rely on their wireless phone as their only phone."[10] In a Consumer Electronics Association survey, three in 10 wireless phone users stated they would rather give up their home telephone than their wireless phone.[11] Wireless offers a mobility characteristic that significantly distinguishes it from "wireline" service and is becoming less of a "luxury" and more of an indispensable necessity. Some indicators of wireless success will be lower prices and more creative packaging of

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[6] *FCC 01-192 Sixth Annual Report & Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services*, Federal Communications Commission, Washington D.C. 2001, July 17, 2001.
[7] *Powell: The Wireless Industry's Growth to Prompt More Regulatory Scrutiny*, as reported by Paul Kirby, Telecommunications Reports, March 20, 2002.
[8] *FCC 01-192 Sixth Annual Report & Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services*, Federal Communications Commission, Washington D.C. 2001, July 17, 2001.
[9] *FCC Local Telephone Competition: Status as of June 30, 2001*, IAD, CCB, FCC, released February 2002.
[10] *FCC 01-192 Sixth Annual Report & Analysis of Competitive Market Conditions with Respect to Commercial Mobile Services*, Federal Communications Commission, Washington D.C. 2001, July 17, 2001, p. 32.
[11] *Id.*

wireline services by the local exchange carriers. Competition between wireline and wireless will accelerate once full number portability and ubiquitous wireless data access exists in the wireless industry.

Indiana now has six major wireless telecommunications service providers all of whom currently serve Central Indiana and Lake County. In some rural areas of the state consumers can choose from only two wireless companies. Competition between wireless companies has resulted in lower rates for consumers according to Tom Wheeler, President and CEO of Cellular Telecommunications and Internet Association ("CTIA"). "Over the last four years, the cost to consumers of wireless phone use has fallen 32%, about 8% a year." However, a trend towards higher federal and state taxes on wireless phone use and possible obligations to pay into universal service funds may offset some of these price reductions to varying degrees depending upon the state.[12]

Many of the major wireless companies are affiliated with some of the larger ILECs. Verizon Wireless, Cingular, and Sprint PCS, are all affiliated with major ILECs.

Cable Telephony: Cable companies and indeed, some local exchange companies are installing new versions of switches to route voice and data services. Cable companies are entering the local exchange and long distance business, often bundling local, long distance, and high-speed Internet access with cable service. Nationwide, 2.2 million reported cable-telephony lines constituted about 11% of the switched access lines provided by CLECs and about 1% of the total switched access lines. Some merely bundled resold services, while others use their own local loops and interconnect to local exchange companies. The Evansville area is served by at least two companies providing such service in direct competition with the incumbent local exchange carrier, SBC-Ameritech Indiana.

Despite obstacles, many analysts expect the continued deployment and development of this form of communications network. Voice services bundled with other services are believed by marketers to bond high-value customers who purchase a variety of services and receive a single bill.[13] Some of the larger cable companies are beginning deployment of telephony services in test market areas. Comcast, Cox Communications, Time Warner and Insight Communications are currently deploying new services in specific geographic markets.

Outlook for the Alternate Technologies and Providers: No communications system is totally independent of another. Wireless systems will still need to interconnect with local exchange carriers and agree on the method and cost of exchanging and terminating calls on one another's networks. Reliability, service quality, and overall value are critical issues that are still being assessed.

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[12] *CTIA Names Ten States with Highest Wireless Taxes*. CTIA World of Wireless Communications. Washington, D.C. Online. wow-com.com.

[13] *Cable Telephony Sending Mixed Signals,* Michael Lafferty, Communications Engineering & Design. April 2001. Online. www.cedmagazine.com/ced/2001/0401 Retrieved May 9, 2002.

3.0 Setting Market Requirements for Competition Under the Telecommunications Act of 1996 ("TA-96")

As the data in Section 2.0 show, competition is developing in Indiana in specific areas such as business markets in urban areas. Before a competitive local exchange carrier ("CLEC") can compete in Indiana, it must have an interconnection agreement with an incumbent local exchange carrier ("ILEC") and the IURC must approve that agreement. If a party is unable to successfully negotiate an interconnection agreement, it may file a request for arbitration with the IURC. If parties cannot agree on the specifics of an interconnection agreement, a party can file a complaint with the IURC. The IURC has also begun to receive a few general complaint cases from CLECs, as well as a complaint from an ILEC. Disputes regarding the rate an ILEC may charge a CLEC are usually resolved in specific cost dockets. Finally, Ameritech must pass a 14-point checklist to obtain the authority to provide long-distance service that crosses LATA boundaries. Interconnection requirements are contained in the first checklist test for all regional bell companies.

What are Interconnection Agreements?

Section 251(b) of TA-96 places certain obligations upon all local exchange carriers ("LECs"): resale, number portability, dialing parity, access to rights-of-way, and reciprocal compensation. Section 251(c) of TA-96 places additional obligations upon ILECs, including, but not limited to: (1) interconnection with CLECs, (2) providing access to ILEC unbundled network elements, (3) offering certain telecommunications services to CLECs at a wholesale discount, (4) providing notice of changes to certain documentation or information necessary for CLECs to provide local exchange service, and (5) allowing collocation of CLEC equipment necessary for interconnection or unbundled access.

The ILECs must fulfill these obligations in a nondiscriminatory manner. The terms, conditions, rates, and charges are set forth in written, signed agreements between the ILECs and CLECs. Those agreements, typically referred to as "interconnection agreements," can cover one or more of the ILECs' obligations to CLECs, discussed above, as well as billing issues; dispute resolution procedures; limitations on liability; etc. Some agreements also contain certain CLEC commitments or obligations, as well. Under TA-96, a CLEC may negotiate a new agreement with an ILEC or adopt part or all of an existing agreement between that ILEC and another CLEC.

How Many Interconnection Agreements Have Been Approved in Indiana?

From January 1, 2001 to July 15, 2002 the Commission approved 412 interconnection agreements.[14] Of those 412, 207 were voluntarily negotiated agreements; two were interconnection agreements based on arbitrations; 81 were amendments to existing interconnection agreements; and 122 were adoptions by one CLEC of an existing agreement between an ILEC and a different CLEC.

What is Arbitration?

In most instances, the negotiations between the ILEC and the requesting CLEC have been successful, and the parties filed a negotiated interconnection agreement with the Commission. However, when the parties reached an impasse in their negotiations, one of the parties, almost always the CLEC,

[14] On December 27, 2001, in Cause No. 39983, the Commission approved streamlined procedures for interconnection agreements. By default, voluntarily negotiated interconnection agreements are classified as "Non-Docketed" and automatically go into effect after 30 days, unless a party requests a hearing or on the Commission's own motion.

files a request for IURC arbitration, pursuant to certain statutory procedural requirements in TA-96, as well as this Commission's own procedural requirements.

What are Recent Examples of Arbitrations in Indiana?

AT&T and Ameritech Indiana

On June 23, 2000, in Cause No. 40571-INT-03, AT&T filed a request for IURC arbitration with Ameritech Indiana. There were over eighty disputed issues. The issues included, but were not limited to, the type of interconnection; what network elements or combination of network elements Ameritech Indiana must offer to AT&T; reciprocal compensation for ISP traffic; collocation, testing of equipment; notice of changes; directory listings; access to poles conduit, and rights of way; fraud; intellectual property; and the duration and expiration date of the agreement.

On November 20, 2000, the IURC issued its Order resolving all issues. Among the most important issues was whether Ameritech Indiana will provide certain combinations of network elements first ordered by the FCC, but subsequently rejected by the Eighth Circuit Court of Appeals. This Commission found that it is not bound by the Eighth Circuit Court decision and that our discretionary authority allows us to consider what is in the public interest, the specific circumstance of the local exchange market in Indiana, and the overall intent of the Act to dismantle the economic and legal barriers to competition in the market. Based on these criteria, we ordered Ameritech to offer those combinations. Since that time, the United States Supreme Court has generally upheld the FCC's right to require those combinations. The Commission also addressed several important issues regarding collocation of CLEC equipment in Ameritech's central offices. Using the concept of "best practices," we found that Ameritech must provide collocation terms similar to terms in other SBC states. However, we did not require Ameritech to be bound by AT&T's request that Ameritech-owned equipment be placed in a specific location. Ameritech has since appealed our decision to the United State District Court for the Southern District of Indiana. A decision is expected this fall.

FBN – Indiana, Inc., and Ameritech Indiana

On May 11, 2001, in Cause No. 42001-INT-01, FBN – Indiana, Inc., ("FBN") petitioned the IURC for arbitration of interconnection rates, terms, and conditions and related arrangements with Ameritech Indiana. The parties asked the Commission to resolve three issues, which centered on the method and type of hand-off of telecommunications traffic between the carriers, as well as the interconnection point between Ameritech and FBN for local exchange traffic and the cost and price of that interconnection. The Commission found that the method and type of hand-off of telecommunication traffic as proposed by FBN (using certain microwave technologies) is not being provided by Ameritech Indiana to any other telecommunications provider and, as such, Ameritech could not be required to permit FBN to hand off traffic using those proposed microwave technologies. During the Commission's arbitration proceeding, the parties did agree on the locations for interconnection so that FBN could provide local service to Ameritech's customers, but they could not agree on what rates should be charged for this interconnection. The Commission found that Ameritech should establish interim rates until Total Element Long Run Incremental Cost ("TELRIC") rates can be developed with a true-up of costs after the TELRIC rates are established. This ruling is consistent with rulings the Commission had made in previous arbitration cases.

Buy-Tel Communications and Ameritech Indiana

On April 17, 2002, in Cause No. 42214-INT-01, Buy-Tel Communications ("Buy-Tel") filed for arbitration with Ameritech Indiana. The only issue in dispute was the rate for "subsequent service order

charge" or "restoral charge," which is the rate Ameritech charges whenever service is restored to a customer whose service has been suspended but not physically disconnected. Buy-Tel claims the rate Ameritech charges ($14.41) far exceeds the rate for a UNE-P installation of $0.41 and UNE-P migration of $0.37 ordered by the Commission in Cause No. 40611-S1. Ameritech claims that the IURC determined this rate in its Order in Cause No. 40611 (January 18, 2001), which implies (according to Ameritech) that the rate is proper. However, to the extent the Commission believes that the $14.41 charge is not proper, Ameritech contends that, since the dispute is a costing issue, it should either be handled in the Ameritech cost docket (rather than in an arbitration proceeding) or, in the alternative, that it should be handled like an interconnection dispute. On August 7, 2002, the Commission set the restoral rate at $0.37.

McLeodUSA Telecommunications Services, Inc. and Ameritech Indiana

On September 28, 2001, in Cause No. 42094-INT-01, McLeodUSA Telecommunications Services, Inc. ("McLeod") filed a request with the Commission to arbitrate a disputed, proposed interconnection agreement with Ameritech. The initial petition alleged 85 issues in dispute covering many aspects of an interconnection agreement including payment of deposit, dispute resolution, collocation, liability, performance measures, directory listings, etc. By the time Ameritech responded on October 23, 2001 the parties had resolved 24 issues. On November 6, 2001, the parties informed the Commission that McLeod would opt into the AT&T /Ameritech Interconnection Agreement, rather than pursue a separate agreement with Ameritech. On April 3, 2002, McLeod and Ameritech filed an Interconnection Agreement adopting the AT&T/ Ameritech agreement, which was automatically approved on May 3, 2002. The IURC dismissed the arbitration on July 24, 2002.

What Happens to Complaints Regarding Interconnection Agreements?

Once the Commission issues a final order approving an interconnection agreement, disputes can arise about whether the ILEC or CLEC has properly implemented the terms of the agreement and/or whether it is complying with the Commission's Order. The IURC created new rules to expedite complaints regarding interconnection agreement, 170 IAC 7-7, commonly referred to as Rocket Dockets.

What are Examples of Recent Complaint Cases Regarding Interconnection Agreements?

Midwest Telecom of America, Inc. Against Ameritech Indiana

On December 12, 2001, in Cause No. 41268-21RD01, Midwest Telecom Of America, Inc. ("MTOA") filed a complaint against Ameritech Indiana regarding the proper interpretation of certain provisions related to DSL transport services in an interconnection agreement. MTOA argued that, under its existing interconnection agreement with Ameritech Indiana, Ameritech Indiana was required to make DSL transport service available to MTOA for resale, at a wholesale discount. Ameritech Indiana argued that its agreement with MTOA did not explicitly include DSL transport and, therefore, Ameritech Indiana was not required to provide DSL transport to MTOA. Ameritech Indiana further argued that MTOA would need to obtain DSL transport service from SBC-Ameritech's advanced services affiliate Ameritech Advanced Data Services, or AADS.

On March 15, 2002, the Commission found that MTOA's interconnection agreement with Ameritech Indiana does contemplate that Ameritech Indiana would be required to provide services not specifically identified in the agreement under certain circumstances, including DSL transport. However, the Commission also found that it is constrained by FCC rulings from ordering Ameritech Indiana to provide resale of AIMS DSL service, including Internet Access, to MTOA at a wholesale discount. Nonetheless, based upon the terms of the existing MTOA-Ameritech Indiana interconnection agreement,

the Commission found that "Ameritech should designate AADS to provide MTOA the DSL transport service at wholesale, for resale and that MTOA should not be required to execute an additional interconnection agreement prior to the receipt of such service."[15]

FBN – Indiana, Inc. Against Ameritech Indiana

On May 13, 2002, in Cause No. 41268-INT-09RD01, FBN – Indiana, Inc. ("FBN") filed a complaint seeking the enforcement of an interconnection agreement to allow FBN to interconnect with Ameritech's network. In August, 2001, FBN initiated negotiations with Ameritech to interconnect with Ameritech's network at Palmer, IN (Lake County), but the parties have not reached agreement on the terms of the requested interconnection.

Are There Other Complaint Cases?

Besides complaint cases regarding interconnection agreements, CLECs have filed general complaint cases against ILECs. Recently Ameritech Indiana has filed a complaint case.

Enhanced Communications Network, LLC Against Ameritech Indiana

On August 1, 2001, in Cause No. 42049, Enhanced Communications Network, LLC ("ECN") filed a complaint against Ameritech Indiana. ECN made four allegations in its complaint: 1) Ameritech unlawfully and discriminatorily calculated and assessed certain Joint Tenant Service ("JTS") charges; 2) Ameritech failed to offer JTS at wholesale rates; 3) Ameritech unlawfully and discriminatorily provisions its operations support systems ("OSS") functions; and 4) Ameritech misrepresented its pricing for Joint Tenant and wholesale services in an anticompetitive manner. On October 29, 2001, Ameritech filed a Motion to Dismiss. On February 14, 2002, the Commission denied Ameritech's request for dismissal. On April 2, 2002, the IURC granted the parties' Motion to Vacate Schedule and Hold Case in Abeyance.

Ameritech Winback Promotions

On April 19, 2002, in Cause No. 42218, Midwest Telecom of America, Inc., Time Warner Telecom of Indiana, L.P., and Cinergy Communications Company filing a petition for Emergency Relief from Ameritech's "Winback" promotions. Many of the Winback promotional offerings contain discounts for both local exchange and intraLATA toll, which must be purchased as a package. The Petitioners claim that the promotions give Ameritech an unfair advantage in "winning back" customers that left Ameritech for CLECs. CLECs argued that Ameritech has proposed retail promotional rates for the local services below the wholesale rate offered to CLECs for those same promotions and locking the customers into long-term contracts. CLECs also argued that the promotions force the CLECs "to purchase wholesale intraLATA toll services at rates [substantially higher] than the prevailing wholesale rates for such services." The case is pending.

Ameritech Marketing Practices

On May 17, 2002, in Cause No. 42236, Time-Warner Telecom of Indiana, L.P. ("Time Warner Telecom") filed a Verified Complaint and Request for Emergency Relief against Ameritech Indiana. Time-Warner Telecom alleges that Ameritech's practice of providing vouchers for free equipment to a specific customer violates certain prior IURC orders because the resultant price is below a price floor established in those orders. Time Warner Telecom argues that this type of pricing should be considered predatory pricing – a practice of furnishing service for less than the actual costs, which might destroy

[15] *Complaint*, at 15.

competition. Time-Warner Telecom also alleges the free equipment marketing arrangement is discriminatory since companies who do not need equipment do not receive such a large discount. Time-Warner Telecom asks the IURC to 1) order Ameritech to amend or suspend the offer made to the company in question pending an investigation; 2) suspend Ameritech Indiana's practice of offering equipment vouchers to customers that have a competitive offer from a CLEC pending a full investigation; 3) commence an investigation of Ameritech's allegedly unreasonable and unjust marketing practices; and 4) commence an investigation into Ameritech's compliance with Opportunity Indiana 2000 – Ameritech's alternative regulatory plan. The case is pending.

AT&T Practices in Provisioning Services

On September 10, 2002, Ameritech Indiana filed a complaint against AT&T alleging that instead of establishing service directly with a customer, AT&T induces its customers to order service from Ameritech, including a telephone number. After Ameritech Indiana provisions the service, AT&T instructs the customer to terminate the service and have the numbers switched to AT&T. Ameritech Indiana claims this practice violates Indiana law. The case is pending.

How Are Costs Determined for Unbundled Network Elements?[16]

In the first round of arbitrations in 1996 and 1997, the Commission did not have enough time to review all the cost studies and determine final rates for Unbundled Network Elements ("UNES") within the statutory timetable. Thus, interim rates were set and cost issues were moved to specific cost dockets: Cause No. 40618 for Verizon (formerly GTE) and Cause No. 40611 for Ameritech Indiana. These cost dockets were, in essence, spin-offs from the various arbitration proceedings involving Ameritech and GTE at that time. The Commission completed its review of the first round of cost dockets in 2000. The FCC required additional unbundling of ILEC networks, beyond these basic UNEs. Furthermore, the rates for certain non-recurring charges were still interim. The Commission used subdockets in both the Ameritech and GTE cases to determine the rates for other network elements and non-recurring charges, as described below.

Ameritech Cost Cases

In Cause No. 40611-S1 the IURC examined rates for unbundled local switching, shared transport, and recurring and nonrecurring charges for all UNE combinations including new installations and migrations from resale to UNE-P in Phase 1. Phase 2 issues include rates for dark fiber, CNAM databases, line splitting, line sharing, loop conditioning, the high frequency portion of a loop, and many nonrecurring charges. Phase 2 will also examine unbundling of SBC Ameritech Indiana's "Project Pronto" facilities, which can be used to carry both broadband and voice traffic over a single network. On March 28, 2002, the IURC issued an Order on Phase 1. In this Order, the Commission rejected most of Ameritech's proposed rates and set rates which are in line with most of the other Ameritech states (Ohio, Illinois, Michigan, and Wisconsin). For example, Ameritech proposed a nonrecurring charge of $102.50 in Indiana for CLECs to order the UNE-P combinations and the IURC set the rate at $0.41. The corresponding nonrecurring charge in the other Ameritech states ranged from $1.02 in Illinois to $17.82 in Michigan. With this dramatic reduction in many of the non-recurring charges, we expect to see an increase in competition. On April 29, 2002 Ameritech notified the IURC that it would appeal the IURC decision to the Indiana Court of Appeals.

[16] The telecommunications network is made up of several components including, but not limited to, a loop (line running from a customers premise to the LEC's central office), central office switch (computer with terminals that move calls from one area to another), and trunks (lines between central office switches). UNEs are the physical and functional elements of the telecommunications network including items such as a loop that the ILEC must lease to CLECs.

The IURC is reviewing comments regarding Ameritech's initial tariff filing in response to Cause No. 40611. However, Ameritech has appealed our decision to the United States District Court Southern District of Indiana that required Ameritech to file a UNE tariff with the IURC. Ameritech claims the Commission does not have the legal authority to require the Company to file any tariff for UNEs, either instead of, or in addition to, offering those UNEs via an interconnection agreement.

Verizon/GTE Cost Cases

In Cause No. 40618-S1, the parties agreed to examine new unbundled network elements and their corresponding rates in five phases. Phase 1 would examine collocation rates; Phase 2 - line sharing, line splitting, Operation Support Systems cost recovery, and loop conditioning; Phase 3 - unbundled subloops, DS3 loops, and unbundled dark fiber; Phase 4 - combinations, ordering charges for combinations, resale to UNE-P conversion charges, and shared transport; and Phase 5 -access to AIN databases and CNAM.

In Phase 1 the parties reached a settlement on all the issues except cost-of-capital. Verizon argued that the cost-of-capital had increased to 12.78% from 9.6% since the original cost studies were filed in Cause No. 40618, while the OUCC argued that the cost-of-capital should remain the same. On February 27, 2002, the IURC determined that there had not been significant measurable changes in the telecommunications market or changes in the financial markets to alter the cost-of-capital. Verizon had filed a tariff for the initial set of UNEs in 2001 and recently filed a collocation tariff in response to the Commission's latest Order. Since no party objected to the tariffs, they were approved on May 20, 2002.

How Will Ameritech Indiana Obtain The Ability to Offer Long-Distance in Indiana?

On February 2, 2000, Ameritech Indiana filed a Verified Petition in Cause No. 41657, requesting that the Commission establish various procedures to evaluate certain documents that it would ultimately file with the FCC in support of an application to provide in-region interLATA long distance service in its service territory in Indiana. As a result of the divestiture of the Bell System in 1984, Ameritech (or Indiana Bell), like all of the Bell Companies, was prohibited from providing "interLATA" long distance telephone service[17] or from providing interstate long distance service between states. Section 271 of TA-96 establishes the criteria that a Regional Bell Operating Company ("RBOC"), such as SBC-Ameritech, must meet in order to receive in-region, interLATA and interstate long distance authority for a particular state. These criteria include, but are not limited to, passing a 14-point checklist, set forth in Section 271(c) of TA-96. The 14-point checklist includes interconnection; nondiscriminatory access to network elements; nondiscriminatory access to poles, ducts, conduits, and rights of way; unbundled services (local loop, local transport, and local switching); nondiscriminatory access to 9111/E911, directory assistance, and operator services; white pages directory listings; nondiscriminatory access to telephone numbers; nondiscriminatory access to databases and signaling for call routing and completion; number portability; local dialing parity; reciprocal compensation; and resale of telecommunication services.

It is the FCC, and not the State Commissions, that has the ultimate authority to approve or reject such an application. However, the FCC is required to consult with the public utility commission in the state. The FCC has defined the role of the state commissions in this consultation process as that of expert witnesses and assigned the State Commissions the primary role of building the evidentiary record on which the FCC will rely in deciding whether to approve the application. Historically, as part of this process of building the evidentiary record, RBOCs seeking "271 approval" for a particular state have

[17] Ameritech operates in eight different LATAs (Local Access and Transport Area) in Indiana. LATAs were developed as part of the Modified Final Judgment that led to the divestiture of the Bell Operating Companies from AT&T, Western Electric, and Bell Labs in 1984.

submitted draft "pre-application" affidavits and other documents to the relevant state utility commission. On September 26, 2002, Ameritech Indiana filed its Phase Two Checklist Informational Filing and numerous affidavits and attachments in support of its draft pre-application filing, which Ameritech Indiana indicated is "in substantially the form that Ameritech intends to subsequently file them at the FCC." Ameritech asserts that "this checklist informational filing is designed to provide the Commission with all the information it needs to assess and evaluate Ameritech Indiana's compliance with the Section 271 checklist, subject to satisfactory results of commercial performance and third party OSS testing, sufficiently in advance of the filing of a Section 271 application to allow an opportunity for meaningful review and analysis by the Commission, Staff, and interested parties." The Commission has not yet set a procedural schedule to review Ameritech's filing.

What is the 3rd Party OSS Test Ameritech Must Pass?

Much of the preliminary assessment of whether Ameritech has satisfied the 14-point checklist is being conducted through a test of Ameritech's Operational Support Systems ("OSS"), which include hardware, software, data collection and storage systems, business practices and rules, more commonly referred to as the 3rd Party OSS test. This test is being conducted in all five Ameritech states. BearingPoint[18] is the Project Manager and Test Administrator in all the states. Together, BearingPoint and the Hewlett-Packard Company act as the "Test CLEC." The Test CLEC functions in many respects like a small telephone company and attempts to simulate the interaction of a real CLEC with Ameritech for pre-ordering, ordering, provisioning, maintenance & repair, and billing of various products, services, and network elements that the CLECs obtain from Ameritech.

The 3rd Party OSS test is organized into three Test Families: Transaction Verification and Validation ("TVV"), Processes and Procedures Review ("PPR"), and Performance Metrics Review ("PMR"). The TVV test family is composed of transaction-based tests, in which the Test CLEC submits pre-orders, orders, and trouble tickets to Ameritech systems, to determine whether Ameritech's systems can process these transactions correctly and in a timely fashion. There are also two "volume tests" (pre-ordering and ordering, as well as maintenance and repair) to determine the ability of Ameritech's systems to process large volumes of transactions and to identify where the chokepoints may be that might hinder Ameritech's ability to increase its capacity to handle competitive growth due to CLECs. The PPR test family consists of analysis and review of Ameritech's wholesale business processes and management practices, including various help desk and account management functions, and OSS "change management" functions. The third and final test family, Performance Metrics Review ("PMR"), consists of analysis and review of Ameritech's wholesale service quality measurements and associated data collection, storage and retention, calculation, and reporting functions. Within the overall 3rd party OSS test, there are nine TVV tests, sixteen PPR tests, and five PMR tests, for a total of 30 different tests.

The test is a "military-style test" that uses a "test until you pass" approach. When BearingPoint or Hewlett-Packard uncovers a serious problem, it may issue either an Observation or Exception Report. Through an iterative process, Ameritech will normally attempt to correct the problem. Due to the "test-until-you-pass" nature of the test, in some cases, it may take Ameritech multiple tries before it can satisfy the negative finding in a particular Observation or Exception Report. Ameritech, however, always has the option of not fixing a problem – for example, if it disagrees with the findings in the Observation or Exception Report or of the seriousness of the problem. As of September 25, 2002, the vendors have issued 651 Observation Reports and 173 Exception Reports throughout the five-state Ameritech region (Illinois, Indiana, Michigan, Ohio, and Wisconsin). 395 of the 651 Observations and 80 of the 173 Exceptions were for problems that Bearing Point or HP directly observed for Ameritech Indiana. BearingPoint's final report to the IURC will indicate whether SBC/Ameritech has passed a particular

[18] KPMG Consulting recently changed its name to BearingPoint.

agreed-upon test criterion and whether a particular Observation or Exception has been resolved. This is consistent with the "test-until-you-pass" approach to which all parties, including Ameritech Indiana, agreed in the Indiana Master Test Plan. The IURC and, ultimately, the FCC, will determine how critical the unresolved problems are.

When will the 3rd Party OSS Test be Completed?

Based upon the Indiana OSS test schedule (version 12.0, effective as of August 31, 2002), BearingPoint is scheduled to deliver its final report to the IURC on December 19, 2002. This date is based upon a number of critical assumptions, including "Zero Defects" (i.e., zero additional SBC-Ameritech problems). While not all defects or problems will extend the completion date of the OSS Test, many types of defects or problems would have a noticeable effect on the overall OSS test schedule. Thus, if more defects or problems are uncovered in Ameritech's systems, processes, documentation, or performance results, the date on which BearingPoint will file its final report may be extended.

Besides Passing the 14 Point Checklist and the 3rd Party OSS Test, What Else Must Ameritech Do?

In addition to the 3rd Party OSS Test, Ameritech and CLECs have agreed upon a set of performance measures that govern Ameritech's performance toward CLECs for pre-ordering, ordering, provisioning, maintenance and repair, billing, and change management. These measures are subject to change through agreement in "six-month review" collaborative meetings and/or through Commission action.

Along with performance measures, parties have been working on a performance assurance plan. A reasonable and appropriately designed performance assurance plan will encourage Ameritech Indiana to provide nondiscriminatory wholesale service comparable to its own retail service and impose a monetary disincentive on Ameritech Indiana if it fails to deliver that quality of service. Ameritech and CLECs attempted to negotiate a performance assurance plan; however, settlement discussions did not result in agreement. On October 16, 2002, the IURC issued its Order on the performance assurance plan. The plan approved by the IURC is designed to provide incentives to Ameritech Indiana to reach and maintain compliance with state-approved standards governing its performance toward CLECs; to provide a fair and reasonable framework for compensating individual CLECs that are harmed when Ameritech does not reach and maintain those standards; to help facilitate the development of more robust competition; and to assist the FCC in its public interest analysis.

Three key points are relevant to the performance assurance plan. First, the FCC has not granted 271 authority to any company without a performance assurance plan. Second, the wholesale remedies, penalties, liquidated damages, and/or assessments that would be required under the performance assurance plan are separate from any penalties to which Ameritech Indiana could be subject under Opportunity Indiana 2000 ("OI-2000"), Ameritech Indiana's alternative regulatory plan.[19] The OI 2000 settlement agreement addresses retail service quality. Third, SBC-Ameritech has paid millions of dollars in fines and penalties to the United States Treasury, under the FCC Merger Conditions, and to CLECs and the General Funds or other State Funds in the other four Ameritech states. Because of the lack of a performance assurance plan in Indiana, the penalty payments that Ameritech has paid in Indiana are *de minimis*, compared to the amounts it has paid in other states.

[19] See, e.g., OI 2000 Settlement Agreement, Section O.3., at p. 25.

IURC Position

- The IURC believes that voluntarily negotiated interconnection agreements should be processed in a timely fashion and in most cases a streamlined Commission review process is adequate.

- If negotiations break down the IURC will resolve the issues in an arbitration in a timely manner according to TA-96.

- We anticipate an increase in the number of complaint cases pursuant to interconnection agreements and prefer parties use our Rocket Docket proceeding to resolve the complaints.

- The IURC anticipates more general complaint cases that may fall outside of the interconnection agreement.

- One of the most important issues in developing competition is setting appropriate rates. The IURC will follow the FCC's pricing methodology, recently upheld by the Supreme Court. While appeal of IURC Orders is part of the legal process, it does create uncertainty for CLECs which is detrimental to competition.

- The IURC is committed to the military style – test until you pass -- 3rd Party testing regime developed and agreed to by all parties being conducted by BearingPoint. Adherence to all 14 points of the FCC's checklist, a satisfactory performance assurance plan, and a determination that it serves the public interest must be accomplished before the IURC will consider recommending that the FCC authorize Ameritech to provide in–region interLATA long-distance service in Indiana.

- This Commission's lack of fining authority has significantly reduced the incentives for ILECs to provide high quality service to CLECs, which, in turn, may affect the ability of CLECs to provide high quality service to their customers.

4.0 Rural Company Issues

While the setting of market requirements for competition (arbitrations, complaint cases, and cost dockets) discussed in Section 3.0 is important for the large ILECs in Indiana (Ameritech Indiana, Sprint, and Verizon), the data show that rural ILECs in Indiana have not been subject to competition. For rural ILECs, the most important concerns are keeping their rates at affordable levels and ensuring each company earns a fair rate-of-return.

How Many Rural Incumbent Local Exchange Companies Reside in Indiana?

Indiana has 37 rural local exchange carriers serving approximately 165,000 access lines (about 5% of total lines in the state). While it is easy to group all rural carriers together, in fact, they are quite different. For example, as the Appendix shows, carriers range from serving 499 lines to close to 33,000 lines; thirteen companies are part of one of three holding companies: TDS Telecom, Century Telecommunications, and Frontier Telecommunications; seven are cooperatives; fifteen have withdrawn from the IURC's jurisdiction; and eight have CLEC subsidiaries.

What is the Status of Rural ILECs in Indiana?

Congress, the Federal Communications Commission ("FCC") and the State of Indiana have recognized that rural companies are quite different than non-rural companies in terms of the territories that they serve, their customer base and the costs associated with providing telecommunications and information services. Although non-rural carriers, such as Sprint, Verizon, and Ameritech serve rural areas, their scales of operation and financing are disparate. On a nation-wide basis, there are approximately 54 persons per square mile living in rural areas as compared to approximately 173 persons per square mile living in a non-rural area, therefore the costs and rates for telephone service are vastly different than urban or suburban zones.[20] These rural companies are serving isolated markets and thus experience higher operating costs for virtually every part of their business. They generally lack economies of scale and scope and customer density to offset certain operational factors that non-rural carriers do not typically face. In terms of revenue, for Indiana's rural LECs, access charge revenues can represent upward of fifty percent (50%) of total operating revenues. Access charges are rates that other carriers, like toll carriers, pay to the rural LECs to access their network.

What is the Effect of the FCC's Multi Association Group Plan Order?

Perhaps the most significant policy impact for small rural companies in recent years came from the access charge reforms initiated by the FCC. The FCC's Multi Association Group ("MAG") Order, released November 8, 2001, is designed to bring ratepayers the public benefits of competition and choice to rural, high-cost areas by rationalizing the access rate structure and driving per-minute rates toward lower, more cost-based levels, while advancing universal service goals. Universal service support is designed to provide access to telecommunications services in areas where the cost of providing such service might otherwise be prohibitively expensive. In years past, cost has been offset through the combination of both explicit and implicit monetary support payments, which flowed to carriers serving high-cost areas. Access charges represent a form of implicit support, which the FCC sought to modify. Interstate access charges are tariffed rates imposed by small incumbent LECs to recover the costs of providing access to their networks for interstate or long distance service. By modifying the access rate structure, the FCC sought to reduce these implicit rates and charges, while creating a new explicit support mechanism to recover costs that would have otherwise been recovered through access charges.

[20] Information gathered from the Rural Task Force White Paper #2, "The Rural Difference" using 1990 Census Data.

In light of the access charge reforms, the FCC established a new funding mechanism, the Interstate Common Line Support ("ICLS"), to assist companies with any potential revenue shortfalls that they may experience. The ICLS will help provide certainty and additional stability for rural companies and encourage investment and deployment of broadband services in rural areas. ICLS will be fully functional on July 1, 2003. This new support mechanism is also available for competitive carriers to utilize if they meet certain federal criteria and choose to serve customers in these rural, high-cost areas.

The FCC's MAG Plan caused many Indiana rural carriers to seek emergency relief from the IURC with specific regard to the impending decreases in access revenues. The Indiana Exchange Carriers Association ("INECA") filed an emergency petition requesting immediate relief from the financial effects of the federal MAG Order. The Commission opened Cause No. 42135 to examine whether or not emergency relief was an appropriate remedy for these companies.

In Cause No. 42135 the Commission declined to grant emergency relief to INECA as a whole, because it recognized that the MAG Order would effect each rural company differently. This issue ultimately drove the Commission to consider a full-blown investigation of access charge reform and universal service policies in Indiana, Cause No. 42144. Furthermore, the Commission did provide INECA with an opportunity to present its case on an individual company-specific basis in an effort to more closely investigate and assess the status of intrastate access charges. Only one company, Rochester Telephone Company, sought Commission assistance in this manner in Cause No. 42178.

In Cause No. 42178 the Commission approved a settlement reached between AT&T and Rochester. In this Settlement, Rochester was allowed to increase its Subscriber Line Charge and created a new access charge element called a CCL Additive that allowed Rochester to receive an amount of revenue that offset any intrastate revenue loss due to the MAG Plan from the date of the Order.

Along with the Order in Cause No. 42135, the Commission created a separate and broader forum (Cause No. 42144) to investigate access charge rate structures and universal service policy for the State of Indiana. The Commission chose to launch this investigation in an attempt to examine the effects of intrastate access charge rate structures and universal service policies for rural companies in the state of Indiana. Because these issues are very complex, the Commission decided to separate the investigation in two phases. In Phase 1 of the investigation, the Commission approved a settlement between INECA companies, Indiana Office of the Utility Consumer Counselor, Smithville Telephone Company, Clay County Rural Telephone Company, Northwestern Indiana Telephone Company, Sprint, SBC-Ameritech and AT&T. The Phase 1 settlement agreement modified the intrastate access charge rate structure to prevent companies from experiencing any stateside revenue losses as a result of ongoing federal access charge reforms. Similar to the settlement in Cause No 42178, the revenue loss was made up by an increase in Subscriber Line Charge and a CCL Additive. Phase 2 of the investigation, which is currently pending before the Commission, focuses solely on the need for and potential creation of a state universal service fund. The Commission and the Parties chose a workshop approach to examine the many complex issues associated with a state universal service fund with the ultimate goal a settlement could be forged. However, no settlement has been reached and evidentiary hearings are scheduled for February 2003.

Are Rural ILECs Using Federal Universal Service Funds Appropriately?

On May 23, 2001, the FCC released its Order on the new universal service support plan for rural LECs.[21] The FCC accepted the recommendation of the Federal-State Joint Board on Universal Service and adopted a new rural universal service plan for a 5-year period that generally follows the

[21] *Fourteenth Report and Order, Twenty-Second Order on Reconsideration, and Further Notice of Proposed Rulemaking in CC Docket 96-45, and Report and Order in CC Docket No. 00-256.*

recommendations of the Rural Task Force, with some modifications. Although bound by specific and precise uses, rural companies had the option to elect to disaggregate their federal support by choosing one of three paths designed to target support to specific areas in a service territory. This method ensures that the per-line level of support is more closely aligned with the actual cost of providing service.

In this Order, the FCC specifically assigned state commissions the responsibility of certifying whether the rural carriers are using federal high-cost funds in a manner consistent with the requirements of Section 254(e) of TA-96. Pursuant to Section 254(e), carriers are required to use universal service support "only for the provision, maintenance, and upgrading of facilities and services for which the support is intended." The IURC opened Cause No. 42067 to review each rural companies' use of federal funds. Upon reviewing the applications, the Commission found that all rural companies in the State of Indiana have used and will continue to use federal high cost support in a manner consistent with TA-96.

Furthermore, on May 8, 2002, the IURC issued a final order in this Cause stating that upon its own analysis and review, the federal universal service disaggregation plans filed by several rural companies appear to have satisfied all applicable federal requirements and raised no competitive concerns that would require additional Commission and/or OUCC scrutiny.

How Does a Rural ILEC Ensure a Fair Return on Its Capital?

The majority of rural companies in Indiana are still under traditional rate-of-return regulation. That is, the company is given an exclusive territory to serve and is given the opportunity to earn a fair return on its invested capital.[22] When a company is not earning a fair return on its capital, it may petition the Commission to increase it rates. For many years few rural companies petitioned the IURC for a general rate increase.

What are Recent Examples of Rate Cases?

In the past year the IURC has adjudicated four small company rate cases: Cause No. 41947 Tipton Telephone Company, Cause No. 42009 Ligonier Telephone Company, Cause No. 42039 Rochester Telephone Company, and Cause No. 42215 Monon Telephone Company. In each case, the companies claimed they were not earning a sufficient return on their capital. Although the Commission developed a special rule for small company rate cases, 170 IAC 40, each company filed under the general rate statue 8-1-2-61. All four cases were settled with the Office of Utility Consumer Counselor and were completed in four to five months. Each settlement allowed for an increase in revenues by increasing basic residential rates and basic business rates. The companies also raised rates in one or more of the following categories: vertical features, non-recurring charges, directory assistance, basic coin rate, PBX, ISDN, or trunking charges. Revenue increases ranged from $226,823 for Rochester to $698,000 for Tipton. As part of the Settlement each company made improvements to their plant and equipment such as installing additional batteries or portable generators or increasing capacity on certain routes between closely tied communities (Extended Area Service routes) so calls would not be blocked.

What are 30-Day Filings?

Over the years as telecommunications equipment has become more sophisticated, additional services could be provided. The normal procedures for a telephone company requesting a change to their

[22] Rural IECs were exempted from competition for a specific time period under TA-96. The IURC determined that rural ILECs who have a CLEC subsidiary automatically lose their exemption from competition. CLECs must petition the IURC to compete with other rural ILECs.

tariff, a schedule of services and corresponding rates, is to file a petition with the Commission. The Commission then schedules a hearing on the request, which is often time-consuming and expensive and burdensome on rural LECs. This is especially true for simple changes to the tariff. The Commission, realizing that some changes to tariffs are, by nature, not controversial and the time and cost involved in the normal procedures, established the "30-day filing process" for these types of tariff changes. The "30-day filing process" is designed and intended as a simplified method for processing non-controversial, non-complex additions/changes to existing tariffs. Examples of changes included new or changes to existing rules and regulations, changes to nonrecurring charges, changes to a companies' territory boundaries, and adding new services. The IURC handles about 25 "30-day" filings each year.

As suggested earlier for many small companies a bulk of their revenues are obtained from intrastate and interstate access charges. Those carriers that make changes to their intrastate access tariff where the change does not mirror changes to their interstate access tariff will use the "30-day" filing process. If the carrier's intrastate tariff mirrors their interstate tariff then the change is approved in one week. This expedited time frame exists because the FCC has already approved the changes. The IURC handles about 20 access filings each year.

How Can Rural LECs Leave the IURC's Jurisdiction?

In recent years, some companies have elected to take advantage of a state statute, I.C. 8-1-2-88.5, that allows the company to withdraw from the IURC's jurisdiction over its rates, charges and financing if they meet certain criteria and is applicable for carriers serving less than 40,000 access lines.[23] On May 22, 2002 three rural LECs: Camden Telephone Company, Inc.(Cause No. 42055), Tri-County Telephone Company, Inc. (Cause No. 42053), and Communications Corporation of Southern Indiana (Cause No. 42054) received approval to be exempt from IURC regulation. This brings the total to eight companies that have withdrawn from IURC jurisdiction utilizing this statute.[24] The Commission is watching this trend carefully, but has not assessed the full impact of a carrier that withdraws from the IURC's jurisdiction.

IURC Position

- The IURC recognizes that rural ILECs have many different characteristics than non-rural ILECs.
- The IURC is committed to working through the issues necessary to develop a state Universal Service Fund, if it is deemed appropriate.
- The IURC has found that all rural ILECs in Indiana have used federal high cost support appropriately and will continue to ensure that on a going-forward basis, the companies that receive federal monies will use those funds in accordance with all applicable federal law.
- The IURC is monitoring the increased trend in rural ILECs filing to be exempt from the IURC's jurisdiction and is concerned about the statutory standard for determining the presence of competition.

[23] Telephone Companies who are cooperatives had the authority to leave the IURC's jurisdiction.
[24] Recently Rochester Telephone Company and Monon Telephone Company were granted approval to withdraw with their recent rate case. New Lisbon has recently petitioned the IURC for the same relief.

5.0 Broadband Issues

Broadband access is more than a technology issue; it is an important policy concern. "There is a very important policy debate that's going on and everyday it gets a little more important. A couple of years ago this was an obscure issue. Now it has moved well beyond telecommunications policy."[25]

What is Broadband Internet Access?

- Method to reach the Internet at greater speed and bandwidth compared to narrowband methods of "dial-up" telephone service and low-speed wireless access.
- Relationship to the Internet: Broadband access is critical to support downloading large files such as video and audio, project collaboration, interactive services, and other large files.
- Forms of broadband access: Digital Subscriber Lines, sold or resold lines from the telephone companies; cable modem service provided by cable companies; satellite one or two-way service provided by satellite companies, terrestrial wireless services.

Why is Broadband Important?

- Economic: Many in high-tech industries and government view further expansion of the infrastructure to support broadband access as a stimulus of economic recovery. Others view the economic issue as one of affordability: "Since 1996, when there was no broadband to anybody, we now have somewhere between 70 and 85 percent of all American homes . . . with broadband going down their street. Is that a crisis, or is that a remarkable event? Now what's the crisis? The crisis is, in fact, for consumers, they can't afford it."[26]
- Social: "The Internet allows anyone to reach the entire world simply and inexpensively. It enables the unprecedented ability of speakers to speak and allows listeners to receive content, free from governmental or private interference."[27] Broadband access may begin to satisfy the demand for more, faster, and less expensive access to the Internet that many experience while at "the office."

Who are the Players in Broadband Services?

- All traditional incumbent local exchange carriers, CLECs who offer general telephone service, specialty CLECs such as COVAD who provide high-speed connections, Cable companies, Satellite companies, and Wireless providers
- Networking equipment manufacturers and suppliers such as Lucent and Cisco, software and game developers such as Microsoft and Lotus, and internet connection firms such as AOL and Earthlink
- States, cities, towns, and economic development commissions
- Business, medical, educational, and residential communities
- Governmental agencies (state and federal), legislative bodies (state and federal), and courts

What is the Status of Broadband Deployment in Indiana?

The Annual Survey requested information about broadband service provided by the ILECs and CLECs in Indiana. In particular we asked about which technologies (xDSL, cable, fiber, or fixed

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[25] Michael Boland, senior vice president for federal legislative matters for Verizon Communications, Inc., May 22, 2002, reported in TRDaily, May 22, 2002.

[26] Rep. Edward Markey, D-Mass., testifying before the Senate Commerce, Science, and Transportation Committee, May 22, 2002.

[27] *Broadband Backgrounder: Public Policy Issues Raided by Broadband Technology,* page 1, Executive Summary, John B. Morris, Jr., Director of the Broadband Access Project and a Partner in Jenner & Block, December 2000.

wireless) were used to provide broadband, as well other characteristics such as owned or leased facilities, business or residential use, and speed. The survey also asked how many of the local exchange company wire centers were equipped and currently offering broadband service. By examining the survey responses and also reviewing a recent FCC report[28] we are able to give a select profile of services and availability in Indiana. At least three carriers sought and received protection of confidential information when responding, so specific details are not easily available.

According to Table 6 of the FCC survey, Indiana has 19 providers of high-speed Internet access lines. Some companies reported using multiple technologies to deliver high-speed capability. The FCC's data collection included information from wireline telephone companies, cable providers, terrestrial wireless providers, satellite providers, and any other facilities-based providers of advanced telecommunications capability. In contrast, the IURC study included companies with less than 250 broadband lines installed, where the FCC excluded those. The IURC mailed the survey only to Indiana CLECs and ILECs and they were instructed to "… complete this section if you provided at least one (1) broadband line or wireless channel in the state over your own facilities or over lines you provisioned as broadband." We did not survey cable companies or others not certified as local exchange carriers.

The data in Chart 11 shows differences between the two studies. Just 19 parties, including cable companies, responded to the FCC study while 42 companies reported data in this category to the IURC. Cable companies that were not also CLECs were not surveyed by the IURC, although it is estimated that cable and satellite broadband accounts for 50,000 lines based on the differences between the FCC and the IURC surveys in the categories "Coaxial Cable" and "Other." Companies with fewer than 250 high-speed broadband access lines were exempt from the FCC study. Seventeen CLECs (including SBC's affiliate AADS, and Verizon's affiliate VADI) and 25 ILECs responded to the IURC study.

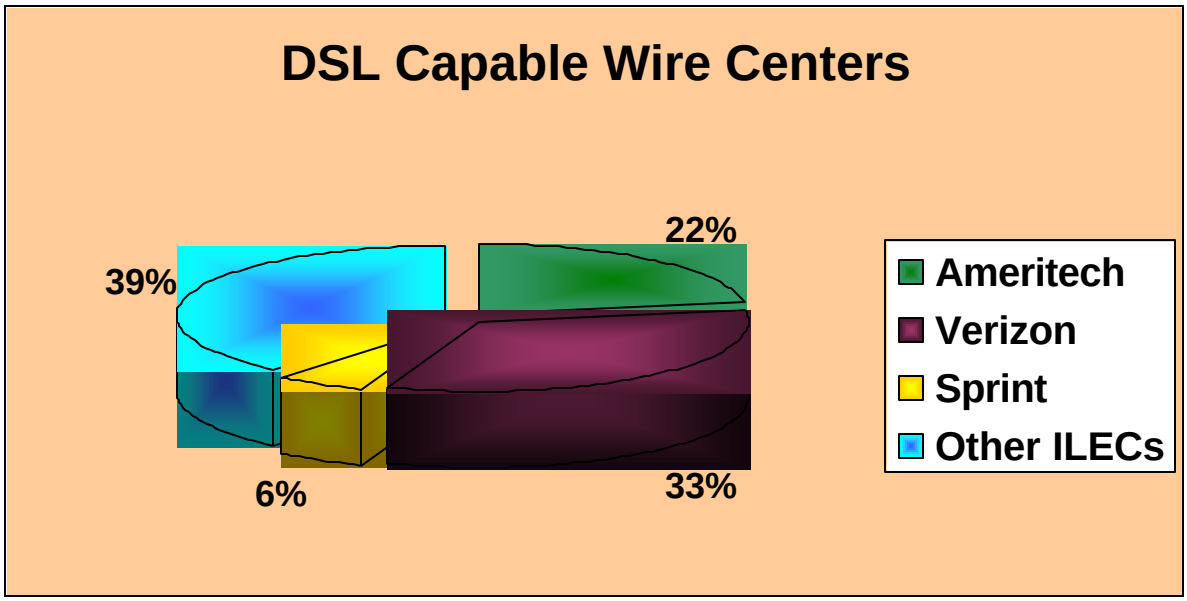
Chart 11
Comparison of FCC Study and IURC Study of Broadband Services in Indiana

FCC STUDY	**ADSL**	**Coaxial Cable**	**Other[29]**	**Total (Unduplicated)**
Suppliers	8	7	10	19
Lines 12/01	22,385	78,837	22,482	123,704
Lines 6/01	2,375	56,441	21,548	80,364
Lines 12/00	6,442	37,052	17,000	60,494
Lines 12/99				20,059
IURC STUDY	**ADSL**	**Coaxial Cable**	**Other**	**Total (Unduplicated)**
Suppliers	25	3	20	42
Lines	23,648	24,159	28,824	76,631

[28] *FCC: High-Speed Services for Internet Access: Subscribership as of December 31, 2001,* Industry Analysis and Technology Division, Wireline Competition Bureau, FCC, published July 2002, Table 6.
[29] Other refers to wireline technologies other than asymmetric digital subscriber lines, optical fiber to the premises, satellite, and terrestrial fixed wireless systems.

Chart 12 provides background data regarding the wire centers or switching offices in Indiana. One indicator of broadband availability is the number of wire centers equipped to offer DSL or high-speed Internet access, however having a wire center equipped to provide high-speed service does not ensure all customers served by that center can order the service because there may be limitations imposed by distance or other infrastructure considerations. One conclusion from the data is that the rural ILECs have been successful in equipping a large percentage of their total number of wire centers for DSL.

Chart 12



Other Highlights of the FCC and IURC Surveys:

- At the end of 2001, nearly 42% of the Indiana wire centers were equipped to offer DSL broadband service, providing a foundation for growth in 2002 and beyond.
- In the **IURC study**, broadband access, provided by Local Exchange Carriers, totaled 76,631 lines. Of that number, 23,648 was provisioned via ADSL; 6,912 by other versions of DSL such as SDSL; coaxial and hybrid-fiber coaxial systems delivered broadband access to 24,159 subscribers; fiber to the end-user equals 21,856, and all other technologies accounted for just 56 lines.[30] Nearly 60% of all broadband access reported to the IURC was residential and small business users. Larger businesses are more likely to subscribe to other dedicated Internet access alternatives. In the IURC study, 94% of the reported broadband access utilized facilities-based providers.
- An **FCC report** released July 2002[31] noted 19 carriers offering broadband access: 8 carriers offered ADSL, 7 coaxial cable, and 10 providers offered other wireline technologies, for a total of

[30] IURC did not survey all cable companies, satellite, fixed or mobile wireless providers, or power companies not certified as telephone utilities. Many of those company responses were included in the FCC survey.
[31] *High-Speed Services for Internet Access: Subscribership as of December 31, 2001*, Industry Analysis and Technology Division, Wireline Competition Bureau, FCC, July 2002, tables 6, 7, 8.

19 carriers, unduplicated. The FCC report showed 123,704[32] high-speed access lines are in use,[33] which is just over 5% of the 2,336,000 households in Indiana.

- State Comparison: In the FCC study, Ohio reported 24 suppliers and 436,766 broadband access lines; Michigan reported 21 suppliers and 433,858 lines; Illinois reported 24 carriers, 422,706 lines; and Wisconsin reported 18 carriers and 182,395 lines, although data on cable and other was withheld due to confidentiality.

What are the Broadband Issues?

- Socioeconomic: "The challenge for policymakers over the long run will be to determine whether any *continuing* disparities in the availability and use of the Internet among different groups of Americans threaten to deepen the socioeconomic divisions within our society."[34]
- FCC Regulation: The FCC has issued a series of NPRMs, NOIs, and orders guided by the following principles and policy goals: 1. Encourage the ubiquitous availability of broadband access to the Internet to all Americans. 2. Promote competition across different platforms for broadband services. 3. Ensure that broadband services exist in a minimal regulatory environment that promotes investment and innovation. 4. Develop an analytical framework that is consistent, to the extent possible, across multiple platforms. The FCC also seeks to answer these questions: 1. Whether the Computer Inquiry network access requirements should be modified or eliminated? 2. Whether important national security, network reliability and consumer protection obligations should apply to providers of wireline broadband Internet access services? 3. How to strike an appropriate balance of responsibilities between the FCC and the states with respect to broadband Internet access services?
- Court Decisions: Two courts have issued orders in May 2002 that are quite relevant to IURC proceedings. The U.S. Court of Appeals in Washington remanded two key FCC orders aimed at spurring competition for local telephone and broadband services - its unbundled network element (UNE) and "line-sharing" rules. The FCC already is reexamining most of these issues in its UNE "triennial review"[35] proceeding, and some of the court's concerns, such as its criticism of the FCC's uniform national list of UNEs. In early May 2002 the Supreme Court ruled that telephone companies can sue state public service commissions in federal court and leaving to lower courts the question of whether the large ILECs must pay fees known as reciprocal compensation to new competitors that receive dial-up Internet access calls from ILEC customers.
- State Regulation: Pre-emption on a variety of issues.
- Legislation: Tauzin-Dingell Internet Freedom and Deployment Act, Breaux-Nickles Broadband Regulatory Parity Act, Hollings Broadband Telecommunications Act of 2002, and others.
- Universal Service Impact: The FCC is broadly seeking comment on whether facilities-based providers of broadband Internet access services provided over wireline and other platforms, including cable, wireless and satellite, should be required to contribute funds such that

[32] Over 62,000 were listed as residential and small business; 18,000 were provided to large business, institutional, and government customers.
[33] *Id.* Table 7.
[34] *Characteristics and Choices of the Internet Users*, Government Accounting Office, Report GAO-01-345, February 2001.
[35] *In Re: Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers*, CC Docket No. 01-338; *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*. CC Docket No. 96-98; *Deployment of Wireline Services Offering Advanced Telecommunications Capability*, CC Docket No. 98-147, Para 90 (FCC 01-361 Rel. Dec. 20, 2001) (Notice of Proposed Rulemaking) [hereinafter, *FCC UNE Triennial Review NPRM*].

everyone has access to basic telephone service, more commonly referred to as universal service.[36]

- Platforms and Bottlenecks: Competition between platforms (DSL vs. Cable) or competition by new entrants challenging the monopoly and market power of incumbents at the "last mile" bottleneck raises more policy issues. We find ourselves in the precise position suggested by the GAO in a report to the Subcommittee on Antitrust, Business Rights and Competition: "As these distinctions continue to blur, additional complex issues surrounding the governance of the communications industry are likely to arise."[37]
- Unbundled Service: In a recent NPRM,[38] the FCC is examining whether telephone-based broadband Internet access service should be classified as an information service. While seemingly unimportant to the layperson, classifying a specific service an information service has broad regulatory implications. Specifically, the ILEC's unbundling requirements do not apply to information services. Without unbundled network elements (UNEs) to support broadband access, CLEC competition may be thwarted. The FCC has tentatively concluded that wireline broadband Internet access services, whether provided over a third party's facilities or self-provisioned facilities, are information services, with a telecommunications component, rather than telecommunications services. The IURC has an ongoing proceeding in Cause No. 40611 S1, Phase II, on whether to unbundled elements of SBC-Ameritech Indiana's infrastructure program called Project Pronto.

IURC Position

- The IURC agrees with the FCC's general policy goal of encouraging the universal availability of broadband access to the Internet to all Americans. However, we have different views on broadband competition. In our comments to the FCC in its Triennial Review of UNEs[39] we stated: "The IURC believes that effective competition can only be achieved in the foreseeable future through use of ILEC facilities that must be made available to competitors (through the so-called "intramodal competition"). Any broadband competition facing ILECs from providers other than CLECs should not be viewed as justification to lessen the competitive opportunities for CLECs."[40]

- The IURC supports widespread availability of broadband access service at competitive and affordable prices. Any lag in making broadband and advanced services available on a widespread basis is due to a lack of demand and high prices, rather than to restrictions in supply. To the extent that supply restrictions do exist, the IURC has recommended that the FCC actively encourage, not discourage, CLECs' ability to compete against the ILECs.[41]

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[36] In the Matter of Appropriate Framework for Broadband Access to the Internet over Wireline Facilities, Universal Service Obligations of Broadband Providers, Computer III Further Remand Proceedings: Bell Operating Company Provision of Enhanced Services; 1998 Biennial Regulatory Review – Review of Computer III and ONA Safeguards and Requirements CC Docket No. 02-33 and CC Dockets Nos. 95-20, 98-10, Released February 15, 2002.

[37] *Technological and Regulator Factors Affecting Consumer Choice of Internet Providers,* GAO 01-93, page 7.

[38] *Id.*

[39] *In Re: Review of the Section 251 Unbundling Obligations of Incumbent Local Exchange Carriers,* CC Docket No. 01-338; *Implementation of the Local Competition Provisions of the Telecommunications Act of 1996*. CC Docket No. 96-98; *Deployment of Wireline Services Offering Advanced Telecommunications Capability,* CC Docket No. 98-147, Para 90 (FCC 01-361 Rel. Dec. 20, 2001) (Notice of Proposed Rulemaking) [hereinafter, *FCC UNE Triennial Review NPRM*].

[40] Comments of the IURC to the FCC in CC Docket No. 01-338, CC Docket No. 96-98, and CC Docket No. 98-147, page 9, filed April 2002.

[41] *Id.*

6.0 Telephone Numbering Issues

Telephone numbers, along with an address (home, business, or recently e-mail), are one of the main forms of identification. In the past few years due to a lack of telephone numbers the IURC has opened investigations on specific area codes with the purpose of expanding the availability of telephone numbers. In addition to expanding the availability of numbers, the IURC has been asked to sanction a new three-digit phone number so people can have centralized contact point to social services and government agencies. Finally, the IURC continues to carefully monitor access to emergency service numbers (911/E911).

What is the Status of Area Codes in Indiana?

On June 14, 2001, the Commission ordered area code relief for the northern portion of Indiana, which is currently the 219 area code. To provide additional telephone numbers, the Commission ordered a three-way geographic split of the 219 area code. The western third of the old the 219 area code will retain the 219 area code designation, and the central portion and eastern portions will be assigned the 574 and 260 area codes, respectively.

The Commission also has requests pending for area code relief for the other three area codes in the state: 317, 812 and 765. No procedural schedules have been set for these requests. Projections for the expected lives of these area codes are 4th quarter 2006 for 317, 4th quarter 2004 for 812, and 3rd quarter 2004 for 765.

The Commission has instituted number conservation efforts in an effort to delay the need for area code relief for these area codes, more specifically thousand-block number pooling. With thousand-block number pooling, numbers are assigned to telecommunications carriers in blocks of 1,000 numbers, instead of 10,000 numbers.

What is 211?

On July 21, 2000, the FCC designated the 211 dialing code for information and referral purposes nationwide. The 211 dialing code would be used as the universal telephone number for connecting individuals with appropriate community service organizations and government agencies. In December 2000, the Indiana 211 Partnership incorporated in Indiana as a nonprofit organization and formally requested reservation of the 211 dialing code with Indiana's incumbent telephone companies. The Indiana 211 Partnership endorses a multiple, linked provider model with strong oversight and monitoring. When a caller dials 211, the carrier will translate the number to a toll free number which routes the call to a 211 call center based on area code, time of day and pre-fix of originating phone.

On February 20, 2002, in Cause No. 42098, the Commission issued an Interim Order in which the Indiana 211 Partnership was recognized as the proper administrator of the 211 dialing code subject to the submission on or by February 18, 2003 of a report showing substantial progress toward implementing a statewide 211 system. This Interim Order is subject to revocation of authority, if the Indiana 211 Partnership does not comply with the requirements of the Order. The Office of the Utility Consumer Counselor was directed to host a technical conference within six to eight months of this Order at which time the rates and charges for the statewide 211 system will be addressed.

Do 911/E911 Issues Still Exist?

In the midst of the daily barrage of phone calls at work and calling friends and family from home, we forget that one of the most important features of the telephone is instant access to emergency services. 911 and E911 have become synonymous with emergency communication in this country. 911 provides contact to emergency response personnel, but provides no way for them to call you back if the connection was broken. E911 provides emergency response personnel with the caller's name, telephone number, and address in the event the connection is broken. In Indiana, IC 36-8-16 Emergency Telephone System Fee and IC 36-8-16.5 Enhanced Wireless Emergency Telephone Service provides the authority and funding to provide 911/E911 service in the State. All counties in Indiana, except Martin & Parke, provide 911/E911 service to the residents of their counties.

On October 4, 1989, in Cause 38561, the IURC ruled that only LECs could provide 911/E911 service in the State and that the provisioning of 911/E911 service in Indiana was competitive. The Order also stated that the carriers did not have to submit tariffs for 911/E911 rates to the Commission for approval. Ameritech, Sprint, Tipton Telephone Company and Verizon are the only LECs providing 911/E911 service to the counties in Indiana. Ameritech provides 911/E911 service to the most counties (40). Besides this, the IURC has no direct regulatory authority over 911/E911.

Wireless 911/E911 has become an important issue and the FCC has required cellular providers to provide wireless 911/E911. Again the IURC has no direct regulatory authority over this issue. However, the state treasurer is directed to allocate funds to entities to provide this service.

IURC Position

- The IURC supports the efforts by the FCC to improve number conservation in a manner that is consistent with the public interest.
- The IURC supports the efforts of the Indiana 211 Partnership.
- The IURC supports the efforts of all parties to expand 911/E911 to all individuals.

7.0 Service Quality and Related Rulemakings

As the local telephone market becomes more competitive, it is easy to forget that with increasing competition, rates may decrease, but service quality is not guaranteed to improve. Service quality issues continue to be at the forefront of issues monitored by the IURC. In this respect the IURC continues its investigation of Ameritech's service quality problems in 2000 and is updating its service quality and customer rights rules.

What is the Status of Ameritech's Service Quality Issues?

In response to an alarming decline in Ameritech Indiana's retail quality of service during the year 2000, the Commission in January 2001, initiated Cause No. 41911, an investigation into the service quality of Ameritech Indiana during the year 2000. In this Cause, the IURC ordered Ameritech Indiana to show cause as to why the Commission should not pursue any and all available remedies against Ameritech that are provided by law, for its failure to provide reasonably adequate service in compliance with Indiana law. After the issuance of many data requests and the filing of testimony, the parties reached a Settlement Agreement, which the IURC approved by order dated, January 16, 2002.

The Settlement Agreement consisted of three main elements: 1) bill credits for customers affected by Year 2000 service issues; 2) additional infrastructure investment commitments beyond those previously agreed upon in the OI2000 Settlement Agreement; and, 3) an independent third party review of the current plans and practices put in place by Ameritech to address the factors which gave rise to the service quality problems in the year 2000. In its order approving the Settlement Agreement, the IURC opened a subdocket, Cause No. 41911-S1, through which to provide oversight regarding the initiation and implementation of the third-party review process.

The Settling Parties chose Schumaker & Company as the third-party reviewer who, pursuant to the Settlement Agreement, has a budget of $500,000 to conduct the review and issue a Final Review Report. To date, Shumaker & Company has held interviews with Ameritech personnel and made site visits to Ameritech's plant including garage facilities and central offices. The Final Review Report with Ameritech's Response was filed with the Commission on October 3, 2002.

What is the Status of the New Service Quality and Customer Rights Rules?

In 1999, the Commission first began discussions with industry groups and other interested parties about changing the Commission's telephone service quality standards (170 IAC 7-1.1), which were last amended in 1979. Proposed rules were drafted by the Commission staff, based upon proposals by the Industry Task Force. The Commission went through the complete promulgation process for this rule and submitted a final rule for approval by the Attorney General on January 5, 2001. On February 9, 2001, the Commission recalled the Telecommunication Service Quality Standards for revisions. The Commission renewed the service quality rulemaking in October 2001. Public meetings were held on the rulemaking in April and May 2002.

These new service quality standards will apply to any utility that is now, or may hereafter be, engaged in the business of rendering telecommunications services to the public under the jurisdiction of the Commission. This rule is intended to result in the provision of reasonable quality telecommunications services to the public, and create a minimum level of service that a utility, under normal conditions, is expected to meet when providing telecommunications services within Indiana. The Commission may consider compliance with this rule as evidence of the adequacy of service rendered by a

telecommunications utility. The new telecommunications service quality standards will be effective in early 2003.

In January 2000, the IURC began a rulemaking process to consider changes affecting the billing and customer rights sections of the administrative rules pertaining to telephone utilities (170 IAC 7-1.1-12 through 18). This second phase of the telecommunications service quality standards addresses the following issues: creditworthiness, denial of service, informational pamphlets to customers, additional truth-in-billing requirements, billing adjustments, customer payments, disconnection, and reconnection. After the first attempt to promulgate new customer rights rules failed in 2001 due to a procedural error, the Commission renewed the customer rights rulemaking in October 2001. Public meetings were held on the rulemaking in April and May 2002. The Commission staff is currently in the process of finalizing the rulemaking and making changes based upon public comments.

IURC Position

- The Commission believes that stiff, easy to assess penalties for failure to comply with the IURC's service quality rules will provide an incentive for companies to adhere to those rules, which are designed to ensure customers receive adequate, reliable telecommunications service. Absent these enforcement mechanisms, other economic forces may act as an incentive for companies to use their financial resources for purposes other than providing good quality service to their customers. Residential and small business customers are likely to be the first to notice this shift in resources. Moreover, these customers have the least ability to change providers if service quality begins to deteriorate. If the Commission has the ability to enforce its rules in a timely and efficient manner, these types of problems are less likely to occur.

8.0 Jurisdiction and Authority over Specific Transactions

Through state statutes, the IURC has authority to authorize the creation of new companies through the granting of a Certificate of Territorial Authority, to increase our jurisdiction over specific sectors of companies, and to approve most types of company reorganizations. However, the Indiana Supreme Court has struck down an important area in which the Commission should maintain authority -- mergers and acquisitions between holding companies.

What is an Example of the IURC Approving New Telecommunications Companies?

The Commission has an open docket considering options for alternative forms of Extended Area Service ("EAS"), which provides customers with expanded local calling scope. Since 1997 several companies have offered very low intraLATA toll rates by connecting two EAS routes. These companies were violating ILEC tariffs that prohibit connecting two EAS routes for local traffic to avoid paying toll charges. On August 19, 1998, the Commission commenced an investigation in Cause No. 41242 to explore new services of a similar nature to EAS. In particular, the Commission indicated a desire to examine the propriety of an alternative EAS service involving two local calls and an intervening call transfer (Bridging Service).

Cause No. 41242 consists of two phases. The first phase was limited to determining whether Bridging Service was in the public interest and if so the investigation would then proceed to the second phase to address the compensation issues between carriers involved in the provisioning of such a service. On August 1, 2001, the Commission issued an order in the first phase finding that Bridging Service was not in the public interest due to inadequate compensation. On January 19, 2002, the Commission issued an Order on Reconsideration in this Cause in response to a Petition for Reconsideration by ExpressLine, a company that had provided Bridging Services. In that Order, the Commission reaffirmed its finding that the Bridging Service as had been provided was not in the public interest due to the lack of adequate compensation for the use of the ILEC's facilities. However, the Commission expressed a continued interest in promoting, where feasible, expanded local calling scopes at reduced prices. To that end, the Commission found that the investigation should proceed to the second phase because the investigation had yet to fulfill its stated goal of exploring feasible wholesale compensation. The Commission also found that it was in the public interest to consider new evidence that ExpressLine desired to provide.

What is an Example of the IURC Exercising Jurisdiction Over Company Reorganization?

On May 10, 2001, several parties including CompTel, ASCENT, AT&T/TCG Indianapolis and McLeodUSA filed a petition asking the Commission to structurally separate SBC-Ameritech. The parties stated that even after five years since the passage of TA-96, many competitive companies have been unable to gain nondiscriminatory access to certain necessary elements of Ameritech's network in order to provide service and thus been forced to file bankruptcy. Petitioners stated that by structurally separating SBC-Ameritech into "retail" and "wholesale" operations, by requiring that its wholesale operation provide interconnection, unbundled network elements, services and support functions to its own retail operations in the same manner in which it provides them to CLECs, and by forcing SBC-Ameritech to abide by a strict code of conduct to ensure that the wholesale operations do not discriminate against CLECs, the IURC can ensure that Indiana consumers reap the actual benefits of competition that Congress had intended.

SBC-Ameritech's position is that the proposition of structural separation is inappropriate for several reasons. First, structural separation is barred by federal law and is inconsistent with the structure of TA-96 such that an involuntary structural separation would interfere with the methods that Congress

relied upon to facilitate local competition. Second, Ameritech contends that structural separation would only serve to frustrate local competition by increasing costs and reducing efficiencies, in addition to calling into question the many commitments previously made by the Company such as those contained in Opportunity Indiana 2000 ("OI 2000"). Furthermore, the Company states that structural separation would virtually eliminate a CLEC's incentive to deploy their own facilities, thereby stifling any hope of true facilities-based competition in the market.

Nearly one year after the initial petition was filed, the IURC commenced an evidentiary hearing in April 2002 and June 2002. The Commission should have a final decision in this matter later this year, barring any further procedural actions by the parties.

What is an Example of the IURC Increasing Its Jurisdiction Over Previously Unregulated Companies?

While TA-96 was opening competition to the local market, it realized that in some areas increased regulation was needed. The Telecommunications Act of 1996 requires all states to maintain public interest payphones ("PIPs") and ensure that they are supported fairly and equitably. A public interest payphone is a payphone at a location where it is needed for public heath, safety and welfare but it is not profitable to maintain the phone. The FCC determined that states should be responsible for assessing the need, programs to support and, if necessary, establish a funding mechanism for public interest payphones. Some states have determined there is no need for a PIP program because the market is adequately meeting this need. Others have implemented extensive programs and a funding mechanism. On September 18, 1998, the Commission issued an Order determining there was a need for a program to assess potential PIPs in Indiana. The Order established extensive reporting requirement on payphone service providers (PSPs) and publicity campaign by the OUCC, but did not establish a funding mechanism. Ameritech Indiana and Verizon petitioned for reconsideration claiming the reporting requirements were too stringent and the IURC must establish a funding mechanism.

On April 10, 2002, after a technical conference and evidentiary hearing the Commission issued an Interim Order designed to preserve any existing public interest payphones, yet reduce the burden of the reporting requirements on payphone service providers. A hearing on PIP shall be convened no later than April 2004.

IURC Position

- The IURC should have direct authority to approve mergers and acquisitions involving holding companies. In our view the economic issues, accounting issues, engineering issues, and public policy considerations are substantial and the Commission must be able to assess the beneficial effects on Indiana. Past experiences have shown that prices and service quality issues must be fully evaluated to ensure continuity and minimize disruption.

9.0 Outlook for Telecommunications Regulation

Telecommunications regulation at the IURC will largely be driven by a combination of factors including the level of competition in the local telephone market, federal or state legislation, pending cases at the FCC and IURC, and decisions in the courts (state, federal, or the U.S. Supreme Court). Furthermore, the unprecedented number of bankruptcies of telecommunications companies may have an impact on competition and future regulation. Finally, unlike other regulated utility industries like electricity, natural gas, and water, the future of telecommunications regulation hinges a great deal on technology, applications of the technologies to the local telephone market, and prices of the services that result from the technology. Throughout this report we have reviewed important FCC and IURC cases and some court decisions so they will not be summarized below.

What is the Effect of Competition on Future Regulation?

The passage of TA-96, the subsequent rules from the FCC and numerous Orders from the IURC set the stage for competition in the local telephone market by creating three distinct types of ways to compete: resale, purchase of unbundled network elements, and complete bypass of the ILEC's network by owning competing switches, loops and facilities. Section 2.0 reviewed the competition data in Indiana and also described non-wireline competition such as cellular, satellite, and voice over the Internet. While wireless competition continues to grow as a complementary service, until there is number portability between landline and wireless phones, we cannot consider it true competition. The FCC has clearly stated number portability is a key ingredient to competition and in Indiana there is a charge on all local telephone bills to support number portability (e.g. $0.28 in Verizon's territory), however most wireless carriers have fought to delay wireless local number portability. The wireline data still shows that competition is not to the point where the market is an effective regulator and the bulk of our regulations can be eliminated. In fact, we are updating our rules for two very important aspects of regulation, service quality and consumer rights.

What is the Effect of Federal Legislation on Future Regulation?

Obviously federal legislation impacts the future of state regulations. Local exchange service competition started with the passage of TA-96 and several important pieces of congressional legislation may impact the future of the IURC regulation. The IURC keeps abreast of all federal regulation and, when appropriate, comments on pending legislation. The key pending federal legislation is listed below:

Bill	Title	Authors	Content	Status
H.R. 496	Independent Telecommunications Consumer Enhancement Act of 2001	Cubin	Would alter the regulation and reporting requirements of small to mid-size ILECs.	Passed by House on March 21, 2001. Assigned to Senate Commerce Committee.
HR. 1542	Internet Freedom And Broadband Deployment Act of 2002	Tauzin-Dingell	Would remove unbundling requirements on ILECs for broadband infrastructure and preempt state authority to regulate broadband telecommunications.	Passed by House February 27, 2002. Assigned to Senate Commerce Committee. Hearings held on March 20, 2002.
H.R. 3142	The Rural Exemption Enhancement Act of 2001	Radanovich	Would expand the exemption of market open provisions of the Ta-96 for small and mid-sized ILECs.	Introduced October 16, 2001. Assigned to House Subcommittee on Telecommunications and Internet. Hearings pending.

S. 88	The Broadband Internet Access Act	Rockefeller-Snowe-Burns	Would provide five-year, two tier tax credit for telecommunication carriers' investments in broadband	Introduced January 22, 2001. Assigned to Senate Finance Committee. Hearings pending.
S. 966	The Rural Broadband Enhancement Act	Dorgan	Would make $3 billion available in a revolving loan fund over five years.	Introduced May 25, 2002. Assigned to Senate Commerce Committee. Hearings pending.
S. 1364	Telephone Industry Enforcement Legislation	Hollings	Would require the structural separation of incumbent telephone companies in wholesale and retail units.	Introduced August 3, 2001. Assigned to Senate Commerce Committee. Hearings pending.
S.1628	Agriculture, Conservation, and Rural Enhancement Act Of 2001	Harkin	Among other things, provides $100 million loans and grants for the deployment of broadband telecommunications infrastructure deployment in rural communities.	Became law on May 15, 2002.
S. 2201	On-line Personal Privacy Act	Hollings	Would safeguards Internet users' privacy while still allowing business to collect data through the use of data categories.	Introduced April 19, 2002; Passed out of the Commerce Committee amended on May 16, 2002. Hearings pending.
S. 2430	Broadband Regulatory Parity Act Of 2002	Breaux-Nickels	Would remove unbundling requirements on ILECs for broadband infrastructure and preempt state authority to regulate broadband telecommunications.	Introduced April 29, 2002, Assigned to Senate Commerce Committee. Hearings pending.
S. 2448	Broadband Telecommunications Deployment Act Of 2002	Hollings	Would authorize study of best ways to facilitate broadband deployment in low-income areas. Also, would use funds from telephone excise tax to provide loans and grants for the deployment of broadband telecommunications infrastructure in rural and underserved areas.	Introduced in Senate May 2, 2002 and assigned to Commerce Committee. Hearings pending.
S. 2582	National Broadband Strategy Act of 2002	Lieberman	Directs the Administration to develop a "coherent cross-agency broadband strategy to eliminate obstacles, create incentives, and encourage industry innovation."	Introduced June 2, 2002. Assigned to Senate Commerce Committee. Hearings pending.

What is the Effect of State Legislation on Future Regulation?

Every year new laws are proposed at the state legislature and the IURC is involved in providing analysis of the impact of those laws. This year we provided analysis on several proposed laws including HB 1354 which would have required telecommunications providers to acquire a specific percentage of residential customers in each telephone exchange area if they wanted to serve business customers and HB 1315 which would have created a state universal service fund. Neither of the bills was passed by the state legislature. At this stage, other than legislation for authority over holding company mergers and acquisitions and authority to fine companies, we do not believe additional legislation is required to improve the effectiveness of the IURC.

What is the Effect of Bankruptcies on Telecommunications Regulation?

The telecommunications industry continues to see companies filing for bankruptcies. This past year has not only seen new start-ups file for bankruptcy, but also well established companies being forced to file for bankruptcy, some due to accounting irregularities. In most cases these are Chapter 11 bankruptcies indicating that the company will not end service. However, bankruptcy is not a sign of a healthy competitor and customers are less willing to switch to a carrier in bankruptcy. This combination may affect the eventual growth of competition in Indiana. The IURC is monitoring each bankruptcy carefully to ensure customers are not left without any service.

What will be the Effect of Future Technology on Future Regulation?

No other utility industry is impacted by technology quite like the telecommunications sector and it is the wild card in the future of regulation. Converging services, demand for higher bandwidth and speed, combined with the proliferation of microwave-based services, satellite services, next generation wireless, packet switching, dense-wave division multiplexing over fiber-based networks, voice and data over power lines, are all transforming the telecommunications industry. Many consultants, analysts, and manufacturers are trying to predict what new application or improvement to today's technology will transform telecommunications. We cannot predict the path of transformation, but we do know these new technologies will ultimately bring greater choice to the traditional wireline telecommunications. However, to date in Indiana, these alternatives are clearly not substitutes for wireline telecommunications in terms of rates and service quality, such that the exercise of monopoly or duopoly power is no longer possible. When we see that alternatives to traditional wireline telecommunications have become true substitutes (***choice*** based on price, service, and consumer rights in a fully number-portable environment) and provide parity support of the universal service mechanism, we will have a better basis to reevaluate all of our regulations.

10.0 Appendix

Rural Company Profile

Company	Acces Lines	Cooperative	Exempt from IURC Regulation	CLEC Subsidiary	Affiliated with Holding Company
Bloomingdale Home Telephone Co.	613				
Camden Telephone Co.	1,949		**X**		**TDS Telecom**
CenturyTel of Central IN, Inc.	3,713				**Century Tel**
CenturyTel of Odon, Inc.	1,792				**Century Tel**
Citizens Telephone Corp.	2,688				
Clay County Rural Telephone Coop. Inc.	13,012	**X**	**X**	**X**	
Communications Corp. of Indiana	11,441				**TDS Telecom**
Communications Corp. of Southern IN	2,004		**X**		**TDS Telecom**
Craigville Telephone Co. Inc.	1,382				
Davies-Martin Rural Telephone Corp.	4,077	**X**	**X**		
Frontier Communications of Indiana	2,804				**Frontier**
Frontier Communications of Thorntown Inc.	2,872				**Frontier**
Geetingsville Telephone Co.	521				
Hancock Telecom	8,662		**X**	**X**	
Home Telephone Co. Inc.	2,419				**TDS Telecom**
Home Telephone of Pittsboro Inc.	2,870				**TDS Telecom**
Merchants & Farmers Telephone Co.	579				**TDS Telecom**
Monon Telephone Co. Inc.	2,100		**X**		
Mulberry Coop. Telephone Co., Inc.	2,994	**X**	**X**	**X**	
New Lisbon Telephone Co. Inc.	912		**pending**		
New Paris Telephone Inc.	2,239			**X**	
Northwestern Indiana Telephone Co. Inc.	14,045			**X**	
Perry-Spencer Rural Telephone Coop.	7,034	**X**	**X**		
Pulaski White Rural Telephone Co. Inc.	2,086	**X**	**X**		
Rochester Telephone Co. Inc.	8,895		**X**	**X**	
S&W Telephone Co. Inc.	499				**TDS Telecom**
Smithville Telephone Co. Inc.	33,700			**X**	
Southeastern Indiana R.T.C.	4,980	**X**	**X**		
Sunman Telecommmunications Corp.	5,000		**X**		
Swayzee Telephone Co. Inc.	1,172				
Sweetser Telephone Co. Inc.	1,975				
Tipton Telephone Co. Inc.	5,384				**TDS Telecom**
Tri-County Telephone Co. Inc.	3,691		**X**		**TDS Telecom**
Washington County Rural Telephone Coop.	3,804	**X**	**X**		
West Point Telephone Company Inc.	811				
Yeoman Telephone Co. Inc.	1,298				

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